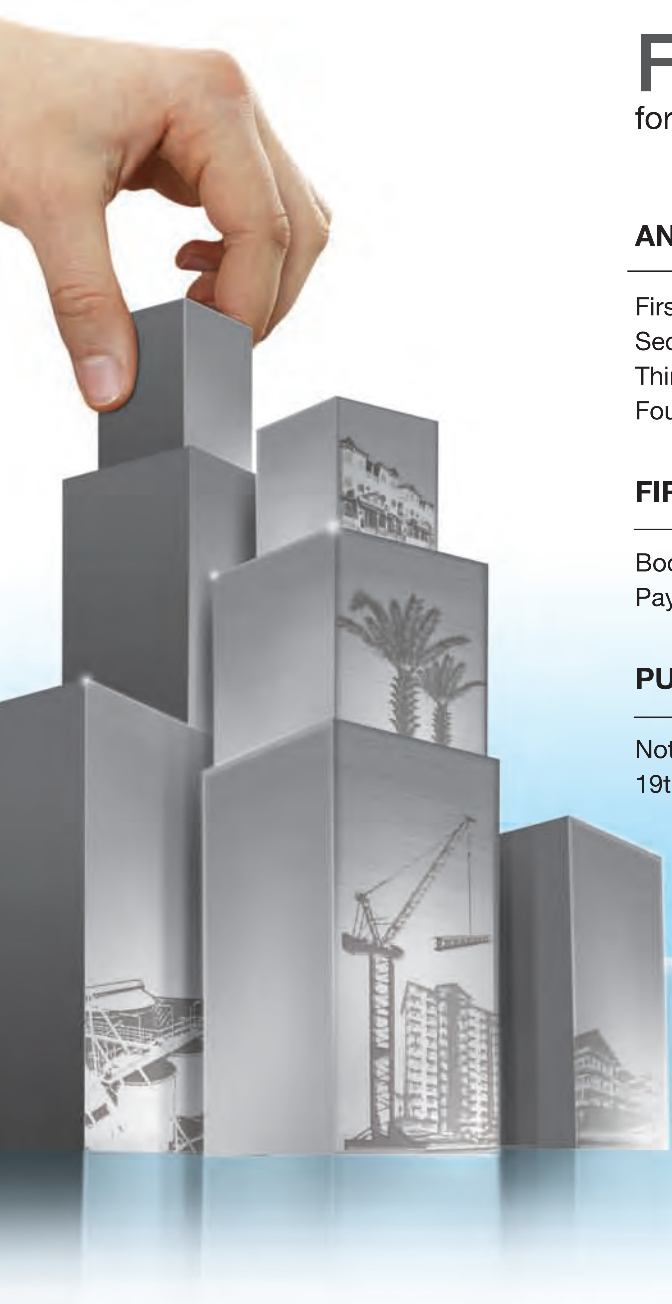
GADANG HOLDINGS BERHAD
(278114-K)

Building Blocks of Success

ANNUAL REPORT **2012**

Building Blocks of Success

Viewing from greater heights lets one discover new horizons. At Gadang, we believe that every solid base being laid is not merely constructing purposeful buildings and bridges, but also the integral formation of the Building Blocks of Success, to ensure the Group's sustainable growth.



Financial Calendar
for financial year ended 31 May 2012

ANNOUNCEMENT OF QUARTERLY RESULTS

First Financial Quarter ended 31 August 2011	27 October 2011
Second Financial Quarter ended 30 November 2011	19 January 2012
Third Financial Quarter ended 29 February 2012	26 April 2012
Fourth Financial Quarter ended 31 May 2012	26 July 2012

FIRST AND FINAL DIVIDEND

Book Closure	30 November 2012
Payment	27 December 2012

PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Notice of 19th Annual General Meeting	30 October 2012
19th ANNUAL GENERAL MEETING	21 November 2012

Contents

19th Annual General Meeting

Date: Wednesday
21st November 2012

Time: 10.00 a.m.

Venue: Sime Darby
Convention Centre

Corporate Profile

Gadang Holdings Berhad ("Gadang" or the "Company") was incorporated in Malaysia on 6 October 1993 as a public limited company under the name of Lai Sing Holdings Berhad and was subsequently changed to its present name on 7 November 1997.

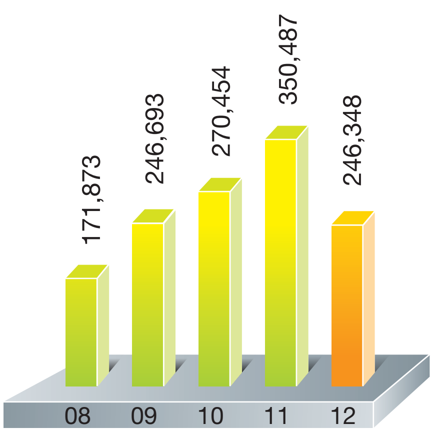
Gadang was listed on the Second Board of Bursa Malaysia Securities Berhad on 2 September 1994 under the Construction Sector. Subsequently, it was transferred to the Main Board (currently named as Main Market) under the same sector on 24 December 2007.

Gadang is an investment holding company while its subsidiaries' core businesses are in civil engineering and construction, property development, utility, mechanical and electrical engineering services and general trading. As part of the Group's diversification exercise, Gadang had in April 2009 ventured into oil palm plantation through its indirect wholly-owned subsidiary, Desiran Impian Sdn Bhd.

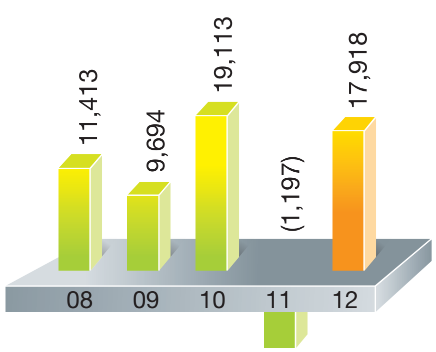
Financial Highlights

Year Ended 31 May (RM'000)	2012	2011	2010	2009	2008
TURNOVER	**246,348**	**350,487**	**270,454**	**246,693**	**171,873**
Engineering & Construction	189,127	299,836	201,264	177,562	111,191
Property Investment & Development	40,890	35,950	55,614	54,821	48,531
Utility	16,331	14,692	13,497	11,376	5,888
Investment & Others	-	9	79	2,934	6,263
	246,348	**350,487**	**270,454**	**246,693**	**171,873**
PROFIT/(LOSS) BEFORE TAXATION	**17,918**	**(1,197)**	**19,113**	**9,694**	**11,413**
Engineering & Construction	7,560	(10,879)	12,256	(2,371)	2,003
Property Investment & Development	10,864	8,668	9,208	9,866	10,178
Utility	2,170	3,175	(76)	1,217	1,014
Plantation	(761)	(498)	(447)	(11)	-
Investment & Others	(1,915)	731	(1,828)	993	(1,782)
	17,918	**(1,197)**	**19,113**	**9,694**	**11,413**
PROFIT/(LOSS) AFTER TAXATION	13,735	(4,175)	13,887	3,545	7,620
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	14,451	(4,404)	14,916	3,030	7,516
SHAREHOLDERS' FUNDS	245,850	230,493	184,969	170,659	170,243
TOTAL TANGIBLE ASSETS	447,426	496,828	428,710	359,406	348,390
NET EARNINGS PER SHARE (RM)	0.0735	(0.0258)	0.1264	0.0257	0.0639
NET ASSETS PER SHARE (RM)	1.27	1.19	1.60	1.49	1.48

TURNOVER RM'000



PROFIT BEFORE TAXATION RM'000



Corporate Structure

GADANG HOLDINGS BERHAD
(278114-K)

Engineering and Construction

- 100% Gadang Engineering (M) Sdn Bhd
  - 100% Gadang Construction Sdn Bhd
    - 100% New-Mix Concrete Industries Sdn Bhd
- 100% Bincon Sdn Bhd
- 100% Kartamo Corporation Sdn Bhd
- 100% Katah Realty Sdn Bhd
- 51% Era Berkat Sdn Bhd

Utility

- 100% Regional Utilities Sdn Bhd
  - 100% Asian Utilities Pte Ltd
    - 95% PT. Taman Tirta Sidoarjo
    - 95% PT. Bintang Hytien Jaya
    - 95% PT. Hanarida Tirta Birawa
    - 65% PT. Sarana Catur Tirtakelola
    - 62% PT. Sarana Tirta Rejeki

Property Investment and Development

- 100% Achwell Property Sdn Bhd
- 100% Mandy Corporation Sdn Bhd
- 100% Gadang Land Sdn Bhd
  - 100% Gadang Properties Sdn Bhd
    - 100% Buildmark Sdn Bhd
  - 100% Noble Paradise Sdn Bhd
  - 100% Damai Klasik Sdn Bhd
  - 100% Magnaway Sdn Bhd
  - 100% Splendid Pavilion Sdn Bhd
  - 100% Sama Pesona Sdn Bhd
  - 100% City Version Sdn Bhd
  - 100% Natural Domain Sdn Bhd
  - 100% Flora Masyhur Sdn Bhd
    - 100% Camar Ajaib Sdn Bhd
  - 100% Crimson Villa Sdn Bhd
  - 100% Skyline Symphony Sdn Bhd

General Trading

- 100% GLP Resources (M) Sdn Bhd
  - 100% GLP Manufacturing (M) Sdn Bhd

Mechanical and Electrical Works

- 51% Datapuri Sdn Bhd

Plantation

- 100% Gadang Plantations Holdings Sdn Bhd
  - 100% Desiran Impian Sdn Bhd

**Dormant companies are not included here.*

Corporate Information

BOARD OF DIRECTORS

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM
Chairman and Independent Non-Executive Director

TAN SRI DATO' KOK ONN
Managing Director cum Chief Executive Officer

ADAM BIN BACHEK
Independent Non-Executive Director

BOEY TAK KONG
Independent Non-Executive Director

SECRETARY

Tan Seok Chung, Sally
MAICSA 0829689

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur
Tel : 603-6275 6888
Fax : 603-6275 2136
Email : corporate@gadang.com.my
Website : www.gadang.com.my

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603-2264 3883
Fax : 603-2282 1886
Email : is.enquiry@my.tricorglobal.com

AUDITORS

PKF AF 0911
Chartered Accountants
Level 33, Menara 1MK
Kompleks 1 Mont' Kiara
No.1, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Tel : 603-6203 1888
Fax : 603-6201 8880

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 9261
Stock Name : GADANG
Stock Sector : Construction

Profile Of Directors

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Chairman and Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim, a Malaysian, aged 66, was appointed as a Director of Gadang Holdings Berhad ("Gadang" or "Company") on 19 May 1997. He was re-designated as Chairman of Gadang on 1 July 2008. He is a member of the Audit Committee and Nomination & Remuneration Committee.

He holds a Master of Agriculture Business Management Degree from the University of Philippines and a Bachelor Degree in Economics (Hons) from the University of Malaya.

Previously, he was attached to Bank of Pertanian Malaysia for 22 years holding various positions, his last position being Assistant General Manager of Economic Research Department. He then joined Johore Mining & Stevedoring Co. Sdn Bhd as the Project Planning Manager.

He was the Head of Group Business Development in Bridgecon Holdings Berhad ("Bridgecon") before he was appointed as an Executive Director of Indah Water Konsortium Sdn Bhd on 1 December 1996. Datuk Wan Lokman does not hold any directorship in any other public company.

TAN SRI DATO' KOK ONN

Managing Director cum Chief Executive Officer

Tan Sri Dato' Kok Onn, a Malaysian, aged 61, joined the Board on 10 March 1997 as the Joint Managing Director of Gadang and was subsequently appointed as the Managing Director cum Chief Executive Officer on 2 September 1997.

Prior to joining Gadang, Tan Sri Dato' Kok Onn was the Group Chief Executive Officer of Bridgecon. He was also the founder of Bridgecon Engineering Sdn Bhd ("BESB"), the wholly-owned subsidiary of Bridgecon. The track record of BESB was used to list Bridgecon on the Second Board of the Bursa Malaysia Securities Berhad on 16 November 1994.

Tan Sri Dato' Kok Onn's exposure in the construction industry began in 1972 and has been involved in the industry for more than 40 years. He has gained extensive knowledge and experience in most aspects of civil and structural engineering schemes with various projects in Malaysia, China, Middle East and South Africa.

Tan Sri Dato' Kok Onn was also the person who transformed Bridgecon from a pure construction company to activities involving manufacturing and supply of readymixed concrete, concrete pumping, quarrying, property and resort development and on international aspect where he spearheaded Bridgecon's venture into three toll expressway operations in the People's Republic of China. Tan Sri Dato' Kok Onn is also a Non-Independent Non-Executive Director of Green Packet Berhad.

ADAM BIN BACHEK

Independent
Non-Executive Director

Encik Adam Bin Bachek, a Malaysian, aged 63, was appointed as a Director of Gadang on 19 May 1997. He is the Chairman of the Audit Committee and a member of the Nomination & Remuneration Committee.

Encik Adam, a practicing lawyer, holds a Bachelor of Laws (Hons) from the University of Buckingham, United Kingdom and a Diploma in Syariah Law & Practice from the International Islamic University (IIU). He was admitted as an advocate and solicitor of High Court of Malaya in 1990. Previously, he was a senior police officer for 22 years before being called to the Malaysian Bar. He served in various positions in the Police Department before taking the optional retirement in 1991.

Currently, Encik Adam is the senior partner of the legal firm, Messrs Adam Bachek & Associates. He is also a Director of Linear Corporation Berhad.

BOEY TAK KONG

Senior Independent
Non-Executive Director

Mr Boey Tak Kong, a Malaysian aged 58, joined the Board on 3 December 2007 as an Independent Non-Executive Director. He is a member of the Audit Committee and the Chairman of the Nomination & Remuneration Committee.

He is a Fellow Member of the Chartered Association of Certified Accountants, United Kingdom, Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom, Chartered Accountant of the Malaysian Institute of Accountants, Member of the Malaysian Institute of Management and Associate Member of the Institute of Marketing Malaysia.

He is currently the Managing Director of Terus Mesra Sdn Bhd, a strategic management and leadership development training company.

His directorships in other public companies include Dutch Lady Milk Industries Berhad, Green Packet Berhad, Permaju Industries Berhad, Bunseng Holdings Berhad, Censof Holdings Berhad (formerly known as Century Software Holdings Berhad) and Formis Resources Berhad.

Other Information on Directors

None of the Directors has:

- any family relationship with any Director and/or major shareholder of the Company, except for Tan Sri Dato' Kok Onn who is the spouse of Puan Sri Datin Chan Ngan Thai, a major shareholder of the Company.
- any conflict of interest in any business arrangement involving the Company.
- any conviction for offences within the past 10 years.

Chairman's Statement

Dear valued shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you, the Annual Report and Audited Financial Statements of Gadang Holdings Berhad ("Gadang" or the "Company") and its group of companies ("the Group") for the financial year ended 31 May 2012.

Datuk Wan Lokman
Bin Dato' Wan Ibrahim
Chairman

ECONOMIC OVERVIEW

The Malaysian economy recorded a growth of 5.1% for the first half of 2012 (1H 2011: 4.7%) despite the challenging global economic environment and heightened vulnerabilities in several key economies.

Although the export market moderated amid weaker external demand for electronics and lower global commodity prices, the domestic demand remained firm, supported by both the private-sector and public-sector economic activity. On the supply side, most major economic sectors continued to expand, led by the services, manufacturing and construction sectors. The construction sector strengthened significantly and recorded a strong double-digit growth of 18.9% (1H 2011: 3.4%), amidst increased activities in the civil engineering sub-sector. Growth was supported by the progress of major infrastructure projects such as the Second Penang Bridge, KLIA 2, Sabah-Sarawak Gas Pipeline, Melaka Regasification Terminal and Ipoh-Padang Besar Electrified Double Tracking project. The residential sub-sector also registered sustained growth due to a significant increase in the number of housing projects.

The domestic economy will be providing the impetus for economic growth in 2012. The outlook for construction sector is positive as there are progress in the on-going mega infrastructure projects like the Klang Valley Mass Rapid Transit and new projects for implementation under the Economic Transformation Program (ETP). Nevertheless, the policy uncertainty surrounding the European sovereign debt crisis and fiscal issues in the US are expected to weigh on market sentiments and growth prospects. Accordingly, the economic growth for 2012 is projected to be between four to five per cent (2011: 5.1%).

Artist impression of Jentayu Residensi, Tampoi, Johor Bahru

FINANCIAL REVIEW

For the financial year ended 31 May 2012, though the Group recorded a lower turnover of RM246.3 million against RM350.5 million achieved in the previous financial year, the Group delivered substantially better results by registering a profit before tax of RM17.9 million as compared to a loss before tax of RM1.2 million registered in the previous financial year.

The Group's stronger performance with improved margin was made possible because of its on-going management focus on securing more Government's initiated turnkey projects.

For the financial year under review, the Group's shareholders' funds increased by 7% to RM245.8 million from RM230.5 million in the previous financial year. The net assets per share increased to RM1.27 as compared to RM1.19 in the previous financial year.

DIVIDEND

For the financial year ended 31 May 2012, the Board of Directors is pleased to recommend a first and final dividend of 2% less income tax of 25% for the approval of shareholders at the forthcoming Annual General Meeting.

Completed Cheras Rehabilitation Hospital

CORPORATE DEVELOPMENTS

9 September 2011

On 9 September 2011, the Company announced that its indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd ("FMSB") had acquired 300,000 ordinary shares of RM1.00 each representing the remaining 30% of the issued and paid up share capital of Camar Ajaib Sdn Bhd ("CASB") for a cash consideration of RM86,000.00 thereby resulting in CASB becoming a wholly-owned subsidiary of FMSB which in turn an indirect wholly-owned subsidiary of the Company.

3 April 2012

On 3 April 2012, the Company announced that Gadang Land Sdn Bhd, a wholly-owned subsidiary of the Company had acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid up share capital of Prelude Avenue Sdn Bhd ("Prelude Avenue") for a total consideration of RM2.00. Prelude Avenue was incorporated on 28 December 2010 and its principal activity shall be property development.

2 May 2012

On 2 May 2012, the Company announced that Maxlux Projects Private Limited (Formerly known as Gadang Engineering and Construction (India) Private Limited) ("GECI") has ceased to be a subsidiary in the Group following the transfer of its wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd's entire shareholdings of 198,980 equity shares of Indian Rupees Ten (Rs 10) each representing 95.2% of the enlarged issued and paid up share capital of GECI to Mr Anup Kumar Saha, the minority shareholder, for a total cash consideration of RM100.00.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year under review.

OUTLOOK AND PROSPECTS

We are cognizant of the global uncertainties surrounding the Eurozone's debt-impaired countries and the US fiscal issues. Although the downside risks from these factors remain, the Group anticipates an exciting year ahead with growth likely to be driven by the Construction Division.

Backed by an outstanding order book of some RM1.6 billion, the Construction Division is expected to perform well over the next few financial years. The Group's excellent track record in the construction industry coupled with a strong and professional management team will provide the Group with competitive advantages to secure and undertake new major projects in the coming financial years.

The property sector is expected to slow down due to the anticipated slower pace of economic growth in 2012. Year 2012 will be more of a period of consolidation for local real estate. Affordable housing units will be the main focus in the residential market supported by pent-up demand for this category, the My First Home Scheme (MFHS) and 1Malaysia Housing Programme (PR1MA). The introduction of guidelines by Bank Negara to rein in household debt by assessing potential borrower's net salary in their evaluation process from 1 January 2012 may impact the higher-end segments of the market as financing availability gets more stringent. The Group has therefore strategized to launch more affordable residential developments in the new financial year.

Aerial view of the completed Runways Earthwork for New LCC Terminal

The Group's foreign venture in the utility concession segments are generating sustainable long-term stream of recurring income. Currently, the Group is also actively exploring investment in promoted utility project, such as mini-hydro power plant in Indonesia. It is envisaged that the current presence and proven track record will create viable opportunities for the Group to be the preferred partner for local utility activities.

Moving forward, the Group is continually seeking to secure profitable projects to enhance shareholders' value. The Group remains focused in Construction, Property, Utility and Plantation businesses.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to record our appreciation to the management and staff for their commitment and unwavering support in delivering an improved performance for the financial year ended 31 May 2012 and in expanding the Construction Division's order book. I would also like to pay exceptional tribute to our overseas employees for their commitment and loyalty.

Our thanks and appreciation also go out to our valued customers, business associates, bankers, suppliers, contractors and subcontractors for their continued support, as well as the various local and overseas Authorities and Regulators for their invaluable guidance and assistance. We value and look forward to this continued relationship as we step forward towards seeking new opportunities.

Datuk Wan Lokman
Bin Dato' Wan Ibrahim
Chairman

Managing Director cum Chief Executive Officer's Review Of Operations

Dear valued shareholders,

Year 2012 has been a good year for the Group, we are leveraging on our established track record and strategic alliances to substantially boost up our construction order book. We achieved better profitability, stronger cash flow and improved balance sheet position, while at the same time, greatly enhanced productivity and cost efficiency to achieve the desired financial goals. Based on the right operating strategies, strong business networking and our improved operational efficiency, we are confident that the Group is well positioned to keep this positive growth momentum as the foundation for more exciting performance moving forward.

Tan Sri Dato' Kok Onn
Managing Director
Cum Chief Executive Officer

CONSTRUCTION DIVISION

For the financial year under review, the Construction Division delivered a creditable profit before tax of RM7.6 million as compared to a loss before tax of RM10.9 million in the previous financial year. This was due to higher margins derived from the successful completion of major projects. However, the revenue was lower at RM189.1 million as compared to RM299.8 million recorded in the previous financial year, mainly due to the completion of major projects and the new projects secured have yet to contribute significant revenue during the financial year under review.

During the year under review, the Construction Division successfully completed the construction of Cheras Rehabilitation Hospital with contract value of RM341.0 million. The earthworks contract for the new Low Cost Carrier Terminal 2 has achieved its major milestones and contributed significant profit to the Construction Division during the financial year under review.

The order book of the Construction Division has improved significantly as compared to previous year which currently stands at approximately RM1.6 billion. Major contracts in progress include:

- Shah Alam Hospital project valued at RM410 million;
- Package V2 of Klang Valley Mass Rapid Transit ("KVMRT") project valued at RM863 million; and
- The newly secured Phase 1 Site Preparation Work for the Proposed Refinery and Petrochemical Integrated Development (RAPID) project valued at RM312.8 million.

The current projects secured will build up strong growth momentum over the next few years and continue to contribute positively to the Group's future profitability.

KVMRT Package V2 - Installation of casing for bored piling

Artist impression of the mixed development at Salak South, Kuala Lumpur

PROPERTY DIVISION

The Property Division posted higher revenue of RM40.9 million for the financial year under review as compared to RM35.9 million recorded in the previous financial year. Profit before tax had improved to RM10.9 million as compared to RM8.7 million recorded in the previous financial year. The higher revenue and profit before tax were mainly attributed by the disposal of Kuang Land. The disposal is in line with the Group's direction to unlock and realize the value of its surplus land bank.

The other key contributors for the Property Division during the year under review are the Jentayu Residensi project located at Tampoi and Taman Pinggiran Pelangi project located at Rawang. Taman Pinggiran Pelangi project has achieved 100% sales and vacant possession handed over to the purchasers.

The Property Division's remaining undeveloped land bank of 90 acres is expected to yield approximately RM742 million Gross Development Value ("GDV") for the coming financial years. This includes, amongst others, the following:

- Mixed development at Salak South, Kuala Lumpur with a GDV of RM350.0 million. The project comprises 800 units of condominiums and 10 units of 3 storey shop offices. The project has been tentatively scheduled to launch by end 2012;

- Mixed development at Pokok Sena, Kedah with a GDV of RM85.0 million whereby Phase 1 of the development will consist of 60 units of single storey medium cost terrace houses; and

- Phase 2 of mixed development at Tampoi, Johor Bahru with a GDV of RM300.0 million.

Moving forward, the Property Division will focus on developing its current and upcoming projects, while continue to actively identify for more niche and choice located landbanks.

Jentayu Residensi, Tampoi, Johor Bahru

UTILITY DIVISION

For the financial year under review, the Utility Division has posted higher revenue of RM16.3 million as compared to RM14.7 million recorded in the previous financial year. Profit before tax decreased to RM2.2 million as compared to RM3.2 million recorded in the previous financial year, due to the one-off prior years' adjustment on depreciation of concession asset made in the financial year under review.

The Utility Division is actively involved in the Indonesia water processing and distribution sector. There is a huge on-going demand for clean water in Indonesia and other developing economies of East Asia which will underpin rapid business growth in the coming years.

Water Treatment Plant, Indonesia

PLANTATION DIVISION

The planting works for the entire 5,181 acres of land in Ranau, Sabah is scheduled to be completed by end 2012. The planting in 2009 and 2010 had matured and harvesting has commenced in early 2012. The planting on the land is forecasted to generate a yearly turnover of over RM20.0 million upon full maturity.

As the Group has targeted to develop oil palm activities to be one of the core activities, the Plantation Division will continuously explore investment opportunity for oil palm plantation development.

Oil Palm Plantation in Ranau, Sabah

Managing Director cum Chief Executive Officer's Review Of Operations (cont'd)

Shah Alam Hospital

M&E works at New LCC Terminal

CONCLUSION

We anticipate an exciting year ahead with revenue growth likely to be driven by the Construction Division. Financial year 2013 will see the commencement of works on the newly secured mega infrastructure projects and strong momentum in earnings contribution over the next few years.

We strive to increase competitiveness by realigning operating initiatives to achieve the desired strategic goals we have set. We are confident that the dedication of our committed staff, experienced management team and strong cooperation and support from our business partners will continue to benefit the Group into the new financial year and beyond.

Tan Sri Dato' Kok Onn
Managing Director
Cum Chief Executive Officer

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 May 2012.

COMPOSITION

The members of the Audit Committee during the financial year ended 31 May 2012 comprised the following directors:-

Adam Bin Bachek
Chairman/Independent Non-Executive Director

Datuk Wan Lokman Bin Dato' Wan Ibrahim
Independent Non-Executive Director

Boey Tak Kong
Independent Non-Executive Director

Mr Boey Tak Kong who is a member of the Malaysian Institute of Accountants fulfills the financial expertise requisite under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). All the members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

TERMS OF REFERENCE

The Audit Committee Terms of Reference are summarised as follows:-

a. To review and recommend the appointment of external auditors, the audit fee and any question of resignation or dismissal.

b. To discuss with the external auditors where necessary, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.

c. To review the quarterly results and annual financial statements before submission to the Board, focusing on:

    - any changes in accounting policies and practices;
    - significant issues arising from the audit;
    - going concern assumption; and
    - compliance with accounting standards and regulatory requirements.

d. To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).

e. To review the external auditors' management letter and management's response.

f. To do the following in relation to the internal audit function:-

    - review the adequacy of scope, function, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
    - review internal audit programme;
    - ensure co-ordination of external audit with internal audit;
    - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of the staff of the internal audit function;
    - approve any appointment or termination of senior staff members of the internal audit function; and
    - be informed of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.

g. To review any related party transactions and conflict of interest situation that may arise within the Company and the Group, including any transaction, procedure or course of conduct that raises question on management integrity.

h. Any other activities, as authorized by the Board.

MEETINGS AND ATTENDANCE

The Audit Committee held 5 meetings during the financial year ended 31 May 2012 and the details of attendance of each committee member are as follows:-

	No. of Meetings	
	Held	Attended
Encik Adam Bin Bachek	5	5
Datuk Wan Lokman Bin Dato' Wan Ibrahim	5	5
Mr. Boey Tak Kong	5	4

The Audit Committee meeting is always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis.

The Heads of Division, Chief Financial Officer, Finance Manager, Internal Auditors and External Auditors were in attendance at the meetings, where necessary. The Committee also had two (2) discussions with the External Auditors without the presence of the Executive Director and the Management.

TRAINING

During the financial year, the members of the Audit Committee have attended conferences, seminars and training programmes on the following topics:-

1. Annual Conference 2011 Governing Responsibly: Inevitable Changes!
2. Talk on "Chindia Rising – How China and India can help your business!" by Professor Jag N. Sheth
3. ROUNDTABLE FORUM "Enhancing the Value of Auditor Reporting: Exploring Options for Change"
4. ICAA-MICPA Forum: *Improving Corporate Governance in Malaysian Capital Markets - The Role of the Audit Committee*
5. "Updates on Budget 2012" by Mr Steve Chia, PWC Taxation Services Sdn Bhd
6. Managing Corporate Reputation In Digital Age
7. Talk on "Malaysian Competition Act 2010: Overview & Compliance Challenges" by Mr Anand Raj of Shearn Delamore & Co
8. Corporate Governance + Corporate Responsibility + Innovation – The Building Blocks For Economic Prosperity
   Risk Management & Internal Controls – Are the Boards aware what they are up against?
9. Challenges Faced By Accountants As Independent Directors
10. Corporate Governance - The Competitive Advantage
11. Directors & Officers Liability: The Key Trend In D&O Liabilities
12. Diversity Driving Performance In Global Business
13. Malaysian Forum On Business Sustainability

SUMMARY OF ACTIVITIES

During the financial year ended 31 May 2012, the Audit Committee discharged its functions and carried out its duties as set out in its Terms of Reference through the following activities:-

1. Financial Reporting

a. Reviewed the quarterly unaudited financial results with management before submission to the Board for consideration, approval and release to Bursa Securities.

b. Reviewed the Company's annual audited financial statements, issues and reservations arising from the statutory audit with the external auditors.

c. Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Internal Control for insertion in the Company's Annual Report.

2. **Internal Audit**

   a. Reviewed and approved the internal audit plan.

   b. Reviewed the internal audit reports presented and considered the major findings of internal audit in the Group's operating subsidiaries through the review of internal audit reports and the management responses thereof and ensuring significant findings are adequately addressed by management.

   c. Authorized internal audit to undertake specific assignments on specific areas of concern, reviewed outcome of findings and deliberated on appropriate actions and/or recommendations arising therefrom.

3. **Risk Management**

   Reviewed the Risk Management Committee's reports and assessment.

4. **External Audit**

   a. Reviewed the findings of the external auditors' reports, particularly issues raised in the management letter together with management's response to their findings.

   b. Reviewed and recommended the nomination of Messrs PKF for appointment as external auditors in place of the retiring auditors, Messrs Ernst & Young.

   c. Reviewed with Messrs PKF, the external auditors, the audit plan of the Company and of the Group for the year (inclusive of audit approach, scope of work and audit fees) prior to the commencement of the annual audit.

5. **Recurrent Related Party Transactions**

   a. Reviewed the recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance for inclusion in the circular to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent transactions pursuant to the Listing Requirements of Bursa Securities for the Board's approval.

   b. Reviewed all recurrent related party transactions to ensure that they are within the mandate obtained.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Board obtains adequate assurance on the effectiveness of system of internal control in the Group, through a programme of regular reviews and appraisals conducted by the outsourced internal auditors, which report directly to the Audit Committee. The Group's internal audit function is outsourced to KPMG Management & Risk Consulting Sdn Bhd (Formerly known as KPMG Business Advisory Sdn Bhd) ("KPMG"), an international independent professional firm. The internal auditors are responsible to undertake independent, regular and systematic reviews of the systems of financial and operational controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

During the financial year, the internal auditors had undertaken reviews of the operating units' compliance with internal control procedures; ascertaining that the Company's and Group's assets were safeguarded and accounted for. Audit reports were issued to the management of the operating units audited, highlighting the findings on any systems and control weaknesses together with recommendations for improvement. These findings and recommendations together with the management action plan were summarized and reported on a half yearly basis at the quarterly Audit Committee meetings for deliberations and action.

The total cost incurred for maintaining the Internal Audit function for the year under review was RM46,368.60 comprising mainly professional fees and disbursements.

Statement of Corporate Governance

The Board of Directors of Gadang Holdings Berhad recognizes the importance of good corporate governance and is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group.

The Board fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance ("the Code") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in the Code to the best interest of the shareholders of the Company. As such, the Board plays a primary role in ensuring that good corporate governance is being practiced.

Below is a statement and description in general on how the Group has applied the principles and complied with the Best Practices of the Code throughout the financial year ended 31 May 2012 pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

A. BOARD OF DIRECTORS

Roles and Responsibilities of the Board

The Board provides effective leadership and manages overall control of the Group's affairs, through the schedule of matters reserved for its decision. Matters specifically reserved for the Board's decision include, amongst others, reviewing and approving the following:

- Strategic/business plans and annual budget.
- Risk management policy.
- Financial reporting, related party transactions and capital financing.
- New Investments, divestments, corporate restructuring, including the establishment of subsidiaries or joint ventures.
- Major capital expenditure.
- Appointment of new Directors, CEO and other senior management positions based onrecommendations of the Nomination and Remuneration Committee.

The Board has developed and adopted a formal Board Charter to provide a clear statement of the roles, responsibilities, processes and operations of the Board for the benefit of both the Board and management; and to ensure the practices of the Board are consistent with and reflect the Board's commitment to best practice in corporate governance.

The Board will regularly review this Charter and the Terms of Reference of its Committees and make any necessary or desirable amendments to ensure they remain consistent with the Board's objectives, current law and best practice.

Board composition and Balance

The Board currently comprises three Independent Non-Executive Directors and the Managing Director cum Chief Executive Officer. The structure and composition of the Board comply with the MMLR of Bursa Securities and the Code. The number of Independent Directors exceeds the requirement that one-third of Board Members be independent as set out in the MMLR of Bursa Securities and the Code. A brief profile of each Director is presented on pages 6 and 7 of this Annual Report.

The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of experience and expertise, particularly in areas such as law, finance, accountancy, taxation, regulation, business and operations. The presence of a majority of Independent Non-Executive Director will serve to bring objective and independent views, advice and judgement to the decision making of the Board and provide the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Director who has in-depth knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

The roles of the Chairman and Managing Director cum Chief Executive Officer are separate and clearly defined. This ensures a balance of power and authority. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Managing Director cum Chief Executive Officer is responsible for the day-to-day running of the business, satisfactory execution of the policies and decision-making on operational matters.

The Company is also in the midst of identifying suitable female candidates for appointment as Directors of the Group considering that gender diversity is also one of the important attributes of a well-functioning Board and an essential measure of good governance.

Directors' Code of Conduct/Ethics

The Board has adopted a Code of Conduct/Ethics for Directors ("Code"). The Code was formulated to enhance the standard of corporate governance and promote ethical conduct of the Directors.

The Group has also in place a Group Code of Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

Board Meetings

Board Meetings are scheduled in advance each year to facilitate Directors to plan their schedules. The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Most of the Directors attended all the Board meetings.

During the financial year ended 31 May 2012, the Board held six (6) meetings and the attendance of each Director at the aforesaid Board meetings is set out below:-

	No. of Meetings	
Directors	**Attended**	**Percentage**
Datuk Wan Lokman Bin Dato' Wan Ibrahim	6 out of 6	100%
Tan Sri Dato' Kok Onn	6 out of 6	100%
Encik Adam Bin Bachek	6 out of 6	100%
Mr Boey Tak Kong	5 out of 6	83%

Supply of Information

The Board members are supplied with required and timely information which allows them to discharge their responsibilities effectively and efficiently. Prior to the Board meeting, all Directors are provided with an agenda and a set of Board papers. The Board papers are dispatched to the Directors in advance of Board meetings to enable the Directors have sufficient time to understand issues to be deliberated at the Board meeting and expedite the decision making process. Senior management and advisers are invited to attend Board meetings, where necessary to provide additional information and insights on the relevant agenda items tabled at Board meetings.

The Directors are notified of any corporate announcement released to Bursa Securities and the impending restriction in dealing with the securities of the Company prior to the announcement of the financial results or corporate proposals. The Board is also updated by the Company Secretary on new statutory and regulatory requirements concerning their duties and responsibilities as and when necessary.

The Directors have access to any information relating to the Company's business and affairs in the discharge of their duties. The Directors also have direct access to the Senior Management and the advice and services of the Company Secretary and where necessary, in the furtherance of their duties, take independent professional advice at the Group's expense.

Appointments to the Board

The Nomination & Remuneration Committee is responsible for reviewing the Board composition and recommending to the Board appointments of new Directors by evaluating and assessing the suitability of candidates for Board membership. In making these recommendations, due consideration is given to the required mix of skills, knowledge, expertise and experience, professionalism and integrity that the proposed Directors shall bring to the Board.

Re-election of Directors

All Directors including Managing and Executive Directors shall retire from office once in every three (3) years but shall be eligible for re-election. In accordance with the Articles of Association ("AA") of the Company, one-third (1/3) of the Directors shall retire from office at each annual general meeting ("AGM") and may offer themselves for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election or appointment. Proposals for the re-election of Directors are recommended by the Nomination & Remuneration Committee to the Board prior to the shareholders' approval at the AGM.

Directors' Training

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities. The Directors are mindful that they should receive appropriate continuous training by attending seminars and courses to keep themselves updated on regulatory and corporate governance developments, besides enhancing their professionalism and knowledge to effectively discharge their duties and obligations.

The training programmes and seminars attended by the Directors during the financial year under review are, inter-alia, on areas relating to corporate governance, risk management, business transformation and financial management. The details of the training programmes attended by the Directors during the financial year ended 31 May 2012 are as follows:-

1. Datuk Wan Lokman Bin Dato' Wan Ibrahim	
• Business Plan (What to Expect?)	15 May 2012
2. Tan Sri Dato' Kok Onn	
• Business Plan (What to Expect?)	15 May 2012
3. Adam Bin Bachek	
• National Symposium on Islamic Banking and Finance	12 Sept 2011
• Oxford Union Style Corporate Governance Debate Motion: "Independent Directors are a Myth"	1 Dec 2011
• Corporate Governance + Corporate Responsibility + Innovation – The Building Blocks For Economic Prosperity	2 Dec 2011
• Risk Management & Internal Controls – Are the Boards aware what they are up against?	2 Dec 2011
• Business Plan (What to Expect?)	15 May 2012
4. Boey Tak Kong	
• Annual Conference 2011 Governing Responsibly: Inevitable Changes!	4 & 5 July 2011
• Talk on "Chindia Rising – How China and India can help your business!" by Professor Jag N. Sheth	26 July 2011
• ROUNDTABLE FORUM "Enhancing the Value of 29 July 2011 Auditor Reporting: Exploring Options for Change"	
• ICAA-MICPA Forum: *Improving Corporate Governance in Malaysian Capital Markets - The Role of the Audit Committee*	11 Aug 2011
• "Updates on Budget 2012" by Mr Steve Chia, PWC Taxation Services Sdn Bhd	20 Oct 2011
• Managing Corporate Reputation In Digital Age	1 & 2 Nov 2011
• Talk on "Malaysian Competition Act 2010: Overview & Compliance Challenges" by Mr Anand Raj of Shearn Delamore & Co	22 Nov 2011
• Corporate Governance + Corporate Responsibility + Innovation – The Building Blocks For Economic Prosperity	2 Dec 2011
• Risk Management & Internal Controls – Are the Boards aware what they are up against?	2 Dec 2011
• Challenges Faced By Accountants As Independent Directors	6 Dec 2011
• Corporate Governance - The Competitive Advantage	16 Apr 2012
• Directors & Officers Liability: The Key Trend In D&O Liabilities	19 Apr 2012
• Diversity Driving Performance In Global Business	14 May 2012
• Malaysian Forum On Business Sustainability	24 May 2012

The Company will on a continuous basis, evaluate and determine the training needs of the Directors. The Company Secretary will also facilitate in organizing internal and external programmes, training sessions, workshops and seminars for Directors.

Performance Evaluation of the Board

The Board of Directors will conduct an annual self/peer evaluation to determine whether it and its Committees are functioning effectively. The Nomination and Remuneration Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. The assessment will be discussed with the full Board each year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

Each Committee shall annually review its own performance and report the results to the Board. The Nomination and Remuneration Committee shall oversee and report annually to the Board its assessment of each Committee's performance evaluation process.

Board Committees

The Board of Directors has established various Board Committees to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority, and the Board receives reports of their proceedings and deliberations with their recommendations. The ultimate responsibility for decision making lies with the Board. The Board Committees of the Company are as follows:-

a) **Audit Committee**

Please refer to the Audit Committee Report which forms part of this Annual Report for further details.

b) **Nomination & Remuneration Committee**

The Nomination & Remuneration Committee consists of the following members who are wholly independent Non-Executive Directors:-

Mr Boey Tak Kong
(Chairman/Independent Non-Executive Director)
Datuk Wan Lokman Bin Dato' Wan Ibrahim
(Independent Non-Executive Director)
Encik Adam Bin Bachek
(Independent N*on-Executive Director)*

The terms of reference of the Nomination and Remuneration Committee are as follows:-

- To establish and review the terms and conditions of employment and remuneration of the Executive Directors and senior executives of the Group;
- To review and approve the annual salary increments and bonuses of the Executive Directors and senior executives of the Group;
- To review, recommend and consider candidates to the Board of the Company, subsidiaries and associates of the Group, including committees of the Board;
- To review and determine the mix of skills, experience and other qualities, including core competencies of Non-Executive Directors on an annual basis; and
- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.

The Committee met twice during the financial year. The meeting was attended by all the members of the Committee.

B. DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The policy practiced on Directors' and senior management's remuneration by the Nomination & Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the calibre required to manage the business of the Group. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance, in the case of the executive directors and senior management. In the case of non-executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual non-executive director concerned.

The non-executive directors are paid annual directors' fees, leave passage and attendance allowance for each Board, Board Committee and general meeting that they attend. Non-executive Directors do not receive any performance related remuneration.

Directors of the Company are also covered under a Directors and Officers Liability Insurance Policy against any liability incurred by them in discharging their duties while holding office as Directors of the Group.

Directors' Remuneration

The aggregate Directors' Remuneration paid or payable to the Directors by the Company and its subsidiaries for the financial year ended 31 May 2012 is as follows:-

Directors	Fees RM	Salary and other emoluments RM	Benefits-in-kind RM	Total RM
Executive Director				
Tan Sri Dato' Kok Onn	-	492,500	7,200	499,700
Non-Executive Directors				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	50,000	*22,000	-	72,000
Adam Bin Bachek	50,000	*21,915	-	71,915
Boey Tak Kong	50,000	*21,000	-	71,000
Total	150,000	557,415	7,200	714,615

* Include leave passage and meeting allowance

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Shareholders Communication

The Board acknowledges the importance of communication with shareholders and investors. Various announcements and disclosures to the Bursa Securities made during the year, including the timely release of financial results on a quarterly basis and the distribution of annual reports and circulars, provide shareholders and the investing public with an overview of the Group's performance and operations.

The Company's website, www.gadang.com.my provides an avenue for providing information about the Company and the Group and receiving feedback from the stakeholders.

Mr Boey Tak Kong has been identified and appointed as the Senior Independent Non-Executive Director, to whom any queries and concerns pertaining to the Company may be conveyed. His contact details are as follows:-
Telephone number: 6012-6575641
Email: tkboey22@gmail.com

Investor Relations

The Company has recently developed an investor relations policy approved by the Board. This policy provides a framework for the Board and the employees to communicate effectively with the Company's shareholders, investors, stakeholders, external parties and the general public. The policy deals with the following:-

- Disclosure process;
- Primary Spokesperson;
- Financial Reports and the Annual General Meeting;
- Briefings and meetings;
- Reports and Rumours;
- Forward-Looking Information and Comment;
- Major Corporate Developments; and
- The Company's Website.

Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. The notice of meeting and the annual report are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Articles of Association.

At the AGM, the Managing Director cum Chief Executive Officer will conduct a brief presentation on the Group's performance for the year and future prospects. Shareholders are also encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Answers and clarifications, where appropriate, are provided by the Directors and senior management of the Company. Additionally, a press conference is normally held immediately after the AGM and/or Extraordinary General Meeting where the Managing Director cum Chief Executive Officer advises the press of the resolutions passed, and answers questions on the Group's activities and plans. The senior management is also present at the press conference.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the issuance of audited annual financial statements and quarterly announcement of results to the shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Internal Controls

The Board acknowledges its responsibility to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets. Accordingly, the Directors are required to ensure that an effective system of internal control is in place within the Group.

The Audit Committee together with the Board carries out periodical reviews on the effectiveness of the internal control system via the Internal Audit. The Internal Audit reports to the Audit Committee periodically on its assessment of reviews covering the financial, operational and compliance control as well as risk management.

A Statement of Internal Control of the Group is set out on Page 26 of the Annual Report.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest standards of openness, probity and accountability. In line with this commitment and in order to enhance good governance and transparency, the Company has implemented a Whistleblowing Policy with effect from 6 March 2012 with the aim to provide an avenue for employees and external parties to raise concerns related to possible malpractices at the earliest opportunity, in an appropriate manner and without fear of reprisal or victimization.

Full details of the Whistleblowing Policy are made available on the Company's website at www.gadang.com.my.

Relationship with External Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the relevant accounting standards.

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. These meetings are held without the presence of the Executive Director and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are also invited to attend the annual general meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

This Statement of Corporate Governance was approved by the Board of Directors on 17 October 2012 .

Statement on Internal Control

Board Responsibility

The Board of Directors ("Board") recognizes the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. The Board acknowledges its overall responsibility and re-affirms its commitment to maintaining a sound system of internal controls and for reviewing its effectiveness, adequacy and integrity to safeguard shareholders' investments and the Group's assets.

The system of internal controls covers not only financial controls but also controls relating to operational and compliance controls and risk management. The internal control system is designed to manage and mitigate the effects rather than to eliminate the risks. As such the internal control system can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against loss or fraud.

Risk Management

The Group strives to achieve an appropriate balance between realizing opportunities for gains in meeting corporate objectives whilst minimizing any potential adverse impact. It has in place a Risk Management Policy which is reviewed yearly to ensure it remains relevant and up-to-date. The Risk Management Committee overseas the risk management activities of the Group. The appointed Risk Manager facilitates an ongoing process to identify, evaluate, manage and monitor significant risks the Group faces in its businesses and operations. At the start of the new financial year, the Risk Manager will coordinate an exercise for the risk owners to review their Key Risk Registers that were reported in the previous financial year to determine their relevancy, to identify new risks and to formulate management action plans to address the key risks identified.

The Risk Manager initiates the updates to the Key Risk Registers at specific intervals i.e. half-yearly basis for the Company level risk and quartely basis for project-specific risks. The Risk manager submits reports on these updates to the Risk Management Committee, highlighting the Key Risks and the progress of action plans to manage these risks. At the same intervals the Risk Manager will present a Risk Management Report to the Audit Committee highlighting the key risks and summarizing the status of management action plans.

Internal Audit Function

The Group has outsourced its internal audit function to an independent professional firm. The Internal Auditors assist the Audit Committee in the discharge of its duties and responsibilities to independently review and report on the adequacy and integrity of the Group's internal control systems and risk management practices.

Other Key Elements of Internal Control

The Board monitors the continual effectiveness, adequacy and integrity of the internal control system to ensure good corporate governance. Ongoing reviews and appraisals are made by the internal and external auditors and these had been in place in the year under review.

The following key processes are in place in the Group:-

- The Group maintains an appropriate and well defined organizational structure with proper lines of responsibility, delegation of authority and accountability to the Board, Committees, Management and operating units.

- Formalized policies, procedures and guidelines on financial, operational and compliance controls and these are reviewed and updated as necessary. This includes financial authority limits, budgetary planning and monitoring, capital expenditure approval, credit control, recurrent related party transactions, project implementation plan, group accounting policies and human resources management, staff purchases, project asset disposal/write-off and whistle blowing policy and procedures.

- An appropriate accounting and reporting system to ensure proper and correct recording of financial information and timely generation of up-to-date information including key financial and operational indicators for management's review and action.

- The Board plays an active role in deliberating and reviewing the business plans submitted by each business unit annually to the Board for approval.

- Tender and Award Committee to review tender evaluation and award to ensure tender exercises are conducted in an effective, transparent and fair manner.

- The Group Management Committee meets bi-monthly to review and resolve on key operational, corporate, financial, legal and regulatory matters.

- The Audit Committee and the Board monitor and review the Group performance and results at quarterly meetings deliberating on the quarterly financial statements, key financial and operational performance results.

- Internal audit function provides an independent assurance on the adequacy and integrity of the Group system of internal controls and business processes. Regular reviews on operational units to assess the effectiveness of internal controls and to monitor compliance with policies and procedures are carried out by Internal Auditors. Reports on audit findings on the effectiveness of internal controls, significant risks, non compliance and weaknesses observed with recommendations for remedial action are submitted to operating management. On a half yearly basis, the Audit Committee reviews internal audit findings and recommendations on internal control improvements and management's response and action thereto.

Conclusion

The Board of Directors is committed towards operating a sound system of internal controls and recognized that the system must continuously evolve to support the type of business, size of operations and the environment the Group operates in. The system of internal controls will be continually reviewed and enhanced to embed a risk based approach to the Group business activities.

During the current financial year no major control weaknesses were discovered. Overall the Board is satisfied that the system of internal controls and risk management is adequate and operating satisfactorily in the year under review.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls within the Group.

Statement on Corporate Social Responsibility

The Company and its subsidiaries have always been mindful of its Corporate Social Responsibility ("CSR") towards the community, environment, its employees and its stakeholders and view CSR as an extension of the Group's efforts in fostering a strong corporate governance culture.

Gadang Group also believes that CSR is a good business proposition of which CSR helps to enhance corporate image and increase the Group's ability to attract and retain its quality human capital towards improving financial performance.

Towards this end, Gadang Group fully subscribed to the CSR practices and will strive to be in line with the CSR Framework for Public Listed Companies launched by Bursa Malaysia Securities Berhad ("Bursa Securities").

WORKPLACE

The Group believes that human capital development is very important to ensure that the Group has the right and relevant skill and knowledge in ensuring business sustainability and growth.

Continuous training and development programs are provided for staff internally and externally to equip them with both the skills and knowledge necessary to perform their current work, and the opportunities to demonstrate their ability to advance within the Group.

The Group also emphasized on the importance of the employees' health and well-being at the workplace. Besides providing health and hospitalization for the staff, health and safety talks are held on a regular basis to instill a health-conscious mind among the staff.

Efforts are continually made to create awareness on the collective responsibility among the employees for the prevention of injuries and occupational health hazards and the assurance of public safety when carrying out its business operations.

The Group seeks to recognize and honor the loyalty of employees who have helped to build the Group over a long period of time. Long Service Awards are presented to those employees serving more than 15 years of service. The awards were presented with the primary objectives of motivating staff to develop their career with the Group and rewarding them for their dedication and commitment towards the development and growth of the Group.

The Gadang Sports Club was established by the Company with the aim to provide sports and leisure activities for its members. The Sports Club actively facilitates sporting activities on a regular basis for its members such as weekly badminton and yoga sessions, table tennis sessions and bowling tournaments to encourage a healthy lifestyle as well as to promote sports and teamwork among its members. Besides sports, the Club also organizes recreational activities such as family days, outings and trips (local and overseas), welfare and charitable activities and dinners for its members and their families. Encouraging participation in these activities underline the enthusiasm and a sense of belonging and unity among the staff.

COMMUNITY

The Group plays its role as a socially responsible corporate citizen in the community through various activities held with the aim of caring for the wellbeing of society at large.

During the year, the Group made various contributions to charitable organisations such as Rumah Sejahtera Rumah Orang Tua Bidor, Majlis Pusat Kebajikan (M) Negeri Perak, Majlis Pusat Kebajikan Daerah Tanjung Malim, Majlis Pusat Kebajikan Cawangan Kampar, Joy To The World Community Services, Persatuan Pusat Kebajikan Insan Malaysia, Oriental Daily Sdn Bhd (Charity Account), Yayasan Sin Chew and Persatuan Belia Prihatin Malaysia, amongst others.

Besides the above, the Group and the management staff also organized social visits and gave donations towards the children with special needs association. On 6 October 2012, members of Gadang Sports Club paid a social visit to House of Joy, a social concern and non-profit organisation established to provide shelter, care and education for orphans as well as for underprivileged, delinquent and

abandoned children and teens. In addition to its function as a children's home, House of Joy also houses and cares for destitute or mentally ill senior citizens and young adults with learning difficulties. During the visit, the Group contributed cash and essential items totaling RM10,000 to the home. The children were also entertained with songs and a variety of games with prizes. At the end of the visit, the residents of the home were treated to a buffet lunch.

The Group also participated as sponsors and contributed to healthcare, sports and education development funds.

As part of the Group's social responsibilities, the Company has recently set up an Education Scholarship Fund to award scholarships to deserving and financially challenged local undergraduates on a yearly basis. This fund known as "Gadang Scholarship" will be implemented effective year 2013.

MARKETPLACE

At the marketplace, the Group maintains high standards of corporate governance, ethics and honesty in all our dealings, and operate in compliance both with Bursa Securities listing requirements and the local laws wherever we work.

ENVIRONMENT

The Group recognizes its responsibility to minimize any potential adverse environmental impact of our business operations and is committed to continual improvement in its environmental performance and to ensure all of the Group's activities are in line with environmental standards and legislation.

The Group also encourages individual employees to adopt environmentally-responsible working practices by energy saving, reduce waste, promote re-use and recycling, avoid damage to the environment and prevent pollution.

Statement of Directors' Responsibility

In relation to the Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("CA") to prepare financial statements for each financial year which have been made in accordance with applicable Financial Reporting Standards ("FRSs") in Malaysia, and the provisions of the CA and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- Used appropriate accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent; and
- Followed all applicable approved accounting standards in Malaysia and the provisions of the CA.

The Directors are also responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the CA.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Additional Compliance Information

- **Share Buybacks**
  The Company did not undertake any share buybacks during the financial year.

- **Options, Warrants or Convertible Securities**
  No options or convertible securities were issued by the Company during the financial year. No warrants 2010/2015 were exercised during the financial year.

- **Imposition of Sanctions/Penalties**
  There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors and management by the relevant regulatory bodies which have material impact on the operations or financial position of the Group during the financial year.

- **Non-audit Fees**
  The amount of non-audit fee payable to the external auditors by the Group for the financial year is RM3,500.

- **Profit Guarantees**
  There were no profit guarantees given by the Company during the financial year.

- **Revaluation of Landed Properties**
  The Company does not have a policy on revaluation of landed properties.

- **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**
  During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Material Contracts**
  There was no material contract other than those in the ordinary course of business entered into by the Company or its subsidiary companies involving Directors' and major shareholders' interests during the financial year.

- **Recurrent Related Party Transactions of a Revenue or Trading Nature**
  At the last Annual General Meeting held on 17 November 2011, the Company had obtaineda mandate from its shareholders to allow the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and provision of financial assistance ("Recurrent Transactions") with related parties.

In accordance with Paragraph 10.09(2)(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 May 2012 pursuant to the said shareholders' mandate are as follows:-

Name of Related Party	Relationship	Nature of Transactions	The Company	Aggregate Value RM'000
Kok Khim Boon	Kok Khim Boon is the brother of Tan Sri Dato' Kok Onn ("TSDKO") who is the Managing Director cum Chief Executive Officer and major shareholder of Gadang	Provision of sub-contract works	Gadang Group	1,023
Datapuri Sdn Bhd ("DPSB")	DPSB is a 51% owned subsidiary of Gadang and 49% owned by Exclusive Acres Sdn Bhd ("EASB"). Mr Liew Swee Kong who is a director and shareholder of EASB is the nephew of TSDKO.	• Office Rental	Gadang Properties Sdn Bhd	22
		• Provision of mechanical & engineering subcontract work by DPSB	Gadang Group	2,099
		• Provision of management services by Gadang	Gadang	48

Financial Statement

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2012.

Principal activities

The principal activities of the Company are investment holding and provision of management services.

The principal activities of its subsidiaries are described in Note 16 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year other than those disclosed in significant events during the financial year in Note 41 to the financial statements.

Results

	Group RM	Company RM
Profit for the financial year	13,735,176	4,987,275
Attributable to:		
Owners of the parent	14,451,456	4,987,275
Non-controlling interests	(716,280)	–
	13,735,176	4,987,275

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 May 2012, of 2% less 25% taxation on 196,691,218 ordinary shares, amounting to a dividend payable of RM2,950,368 (1.50 cent net per ordinary share) based on the paid-up share capital as at 31 May 2012 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 May 2013.

Directors

The Directors who have held office since the date of last report are:

Datuk Wan Lokman bin Dato' Wan Ibrahim
Tan Sri Dato' Kok Onn
Adam bin Bachek
Boey Tak Kong

Directors' interests

The Directors holding office at the end of the financial year and their beneficial interests in Ordinary Shares of the Company and its related corporations during the financial year ended 31 May 2012 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, in Malaysia were as follows:

	Number of Ordinary Shares of RM1.00 each			
	Balance as at 1.6.2011	**Acquired**	**Sold**	**Balance as at 31.5.2012**
Shareholdings registered in the name of the Directors:				
Direct Interest				
Tan Sri Dato' Kok Onn	6,116,666	150,000	–	**6,266,666**
Boey Tak Kong	602,000	147,600	–	**749,600**
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	59,480,827	–	–	**59,480,827**

	Number of Warrants 2010/2015			
	Balance as at 1.6.2011	**Acquired**	**Sold**	**Balance as at 31.5.2012**
Shareholdings registered in the name of the Directors:				
Direct Interest				
Tan Sri Dato' Kok Onn	611,666	–	–	**611,666**
Boey Tak Kong	88,500	–	–	**88,500**
Indirect Interest				
Tan Sri Dato' Kok Onn (1)	3,674,231	–	–	**3,674,231**

(1) Indirect interest by virtue of shares held by companies in which the Director has interest.

Tan Sri Dato' Kok Onn by virtue of his deemed interest in shares of the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares and warrants in the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for those disclosed in Note 34 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts inadequate to any material extent or necessitate the making of provision for doubtful debts; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (cont'd)

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that have arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that have arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due except as disclosed in Note 35 to the financial statements.

In the opinion of the Directors, except as otherwise stated in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 May 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Significant events

Details of significant events are disclosed in Note 41 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 42 to the financial statements.

Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

TAN SRI DATO' KOK ONN

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Kuala Lumpur

20 September 2012

Statement by Directors

Pursuant to Section 169 (15) of the Companies Act, 1965

In the opinion of the Directors, the accompanying financial statements set out on pages 41 to 117 are drawn up in accordance with the provisions of the Companies Act, 1965 in Malaysia and Financial Reporting Standards so as to give a true and fair view of financial positions of the Group and of the Company as at 31 May 2012 and of their financial performances and their cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors,

TAN SRI DATO' KOK ONN

DATUK WAN LOKMAN BIN DATO' WAN IBRAHIM

Kuala Lumpur

20 September 2012

Statutory Declaration

Pursuant to Section 169 (16) of the Companies Act, 1965

I, KOK PEI LING, being the officer primarily responsible for the financial management of GADANG HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 41 to 117 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above named at Kuala Lumpur in
Wilayah Persekutuan on 20 September 2012

KOK PEI LING

Before me,

PESURUHJAYA SUMPAH
No: W 602
Nama: KAPT (B) AFFANDI BIN AHMAD
MALAYSIA
No. 86, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur

COMMISSIONER FOR OATHS

Report of the Independent Auditors

To the Members of Gadang Holdings Berhad and its subsidiaries

(Co. No. 278114-K)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of GADANG HOLDINGS BERHAD., which comprise the Statements of Financial Position as at 31 May 2012 of the Group and of the Company, the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 41 to 117.

Directors' Responsibility for the Financial Statements

The Directors of the Group and the Company are responsible for the preparation of the financial statements that give a true and fair view of the financial positions and of the financial performances of the Group and the Company in accordance with Financial Reporting Standards and the Companies Act, 1965, in Malaysia and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965, in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 May 2012 and of their financial performances and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("Act"), in Malaysia we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries, of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, as indicated in Note 16 to the financial statements, being financial statements which are included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 43 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, "Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Group and the Company, as a body, in accordance with Section 174 of the Companies Act, 1965, in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The comparative figures were audited by another firm of auditors who expressed an unmodified opinion on those statements on 29 September 2011.

PKF
AF0911
CHARTERED ACCOUNTANTS

LOH CHYE TEIK
1652/8/14 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur

20 September 2012

Statements of Comprehensive Income

for the financial year ended 31 May 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	2	246,347,540	350,486,843	8,450,000	3,632,000
Cost of sales	3	(203,752,064)	(315,309,308)	–	–
Gross profit		42,595,476	35,177,535	8,450,000	3,632,000
Other income	4	5,682,975	3,530,711	540,583	472,783
Administrative expenses		(10,586,232)	(9,374,385)	(2,029,245)	(2,303,804)
Other expenses		(16,316,500)	(26,125,524)	(1,178,487)	(1,275,272)
Finance costs	5	(3,457,547)	(4,405,271)	(709,346)	(473,086)
Profit/(Loss) before tax	6	17,918,172	(1,196,934)	5,073,505	52,621
Tax expense	9	(4,182,996)	(2,978,127)	(86,230)	(308,101)
Profit/(Loss) net of tax		13,735,176	(4,175,061)	4,987,275	(255,480)
Other comprehensive income/(loss):					
Foreign currency translation		851,544	(308,277)	–	–
Total comprehensive income/ (loss) for the financial year		14,586,720	(4,483,338)	4,987,275	(255,480)
Profit/(Loss) net of tax attributable to:					
Owners of the parent		14,451,456	(4,403,682)	4,987,275	(255,480)
Non-controlling interests		(716,280)	228,621	–	–
Profit/(Loss) for the financial year		13,735,176	(4,175,061)	4,987,275	(255,480)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		15,356,986	(4,707,545)	4,987,275	(255,480)
Non-controlling interests		(770,266)	224,207	–	–
Total comprehensive income/ (loss) for the financial year		14,586,720	(4,483,338)	4,987,275	(255,480)
Earnings/(Loss) per share attributable to:					
Owners of the parent (sen):					
- Basic	10	7.35	(2.24)		

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

as at 31 May 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**65,177,006**	76,438,778	**104,313**	106,591
Biological assets	13	**6,847,212**	3,886,837	**–**	–
Investment properties	14	**20,647,640**	15,417,640	**–**	–
Concession assets	15	**33,185,967**	35,605,262	**–**	–
Investments in subsidiaries	16	**–**	–	**114,609,255**	85,157,851
Investments in associates	17	**–**	–	**–**	–
Other investments	18	**226,000**	226,000	**–**	–
Goodwill on consolidation	19	**17,294,891**	16,885,732	**–**	–
Deferred tax assets	20	**764,675**	821,310	**–**	–
		144,143,391	149,281,559	**114,713,568**	85,264,442
Current assets					
Property development costs	21	**138,701,176**	111,833,866	**–**	–
Amounts due from contract customers	22	**69,939,512**	80,039,794	**–**	–
Inventories	23	**1,610,406**	1,968,901	**–**	–
Trade and non-trade receivables	24	**56,730,503**	110,559,116	**125,597,640**	146,616,065
Tax recoverable		**4,027,773**	3,811,134	**1,943,984**	600,740
Fixed deposits	26	**34,078,642**	36,885,410	**9,238,720**	9,012,223
Cash and bank balances	26	**15,489,692**	19,334,416	**392,846**	12,516,947
		320,577,704	364,432,637	**137,173,190**	168,745,975
Total assets		**464,721,095**	513,714,196	**251,886,758**	254,010,417

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position
as at 31 May 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	27	**196,691,218**	196,691,218	**196,691,218**	196,691,218
Reserves	28	**49,158,725**	33,801,739	**11,911,849**	6,924,574
		245,849,943	230,492,957	**208,603,067**	203,615,792
Non-controlling interests	29	**3,735,310**	4,505,576	**–**	–
Total equity		**249,585,253**	234,998,533	**208,603,067**	203,615,792
Non-current liabilities					
Deferred tax liabilities	20	**8,519,728**	6,029,307	**23,861**	23,861
Bank borrowings	30	**48,066,090**	24,043,560	**–**	–
Defined benefit obligations	31	**1,233,541**	1,202,664	**–**	–
		57,819,359	31,275,531	**23,861**	23,861
Current liabilities					
Provisions	32	**163,971**	891,709	**–**	–
Trade and non-trade payables	33	**111,043,126**	125,081,919	**39,760,627**	33,737,101
Amounts due to contracts customer	22	**47,849**	1,622,783	**–**	–
Bank borrowings	30	**44,885,147**	119,588,835	**3,499,203**	16,633,663
Provision for taxation		**1,176,390**	254,886	**–**	–
		157,316,483	247,440,132	**43,259,830**	50,370,764
Total liabilities		**215,135,842**	278,715,663	**43,283,691**	50,394,625
Total equity and liabilities		**464,721,095**	513,714,196	**251,886,758**	254,010,417

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 31 May 2012

		Attributable to equity holders of the Company								
		Non-Distributable				Distributable				
	Note	Share Capital RM	Warrant Reserve RM	Capital Reserve RM	Share Premium RM	Foreign Exchange Reserve RM	Retained Profits RM	Total RM	Non-Controlling Interest RM	Total Equity RM
Group										
As at 1 June 2010		118,015,791	–	1,346,681	8,815,834	(1,736,982)	58,528,096	184,969,420	4,249,168	189,218,588
Total comprehensive income/ (loss) for the financial year		–	–	–	–	(303,863)	(4,403,682)	(4,707,545)	224,207	(4,483,338)
Accreation of interest in a subsidiary		–	–	–	–	–	–	–	32,201	32,201
Issue of shares pursuant to Rights Issue	27	78,675,427	–	–	(8,815,834)	–	(25,804,495)	44,055,098	–	44,055,098
Arising from issuance of warrants	28	–	6,175,984	–	–	–	–	6,175,984	–	6,175,984
As at 31 May 2011		196,691,218	6,175,984	1,346,681	–	(2,040,845)	28,319,919	230,492,957	4,505,576	234,998,533
Total comprehensive income/ (loss) for the financial year		–	–	–	–	905,530	14,451,456	15,356,986	(770,266)	14,586,720
As at 31 May 2012		**196,691,218**	**6,175,984**	**1,346,681**	**–**	**(1,135,315)**	**42,771,375**	**245,849,943**	**3,735,310**	**249,585,253**

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 31 May 2012 (cont'd)

	Note	← Non-Distributable		→	Distributable	
		Share Capital RM	Warrant Reserve RM	Share Premium RM	Retained Profits RM	Total RM
Company						
At 1 June 2010		118,015,791	–	8,815,834	26,808,565	153,640,190
Total comprehensive loss for the financial year	27	–	–	–	(255,480)	(255,480)
Issue of shares pursuant to Rights Issue	28	78,675,427	–	(8,815,834)	(25,804,495)	44,055,098
Arising from issuance of warrants		–	6,175,984	–	–	6,175,984
At 31 May 2011		196,691,218	6,175,984	–	748,590	203,615,792
Total comprehensive income for the financial year		–	–	–	4,987,275	4,987,275
At 31 May 2012		**196,691,218**	**6,175,984**	**–**	**5,735,865**	**208,603,067**

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows
for the financial year ended 31 May 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from operating activities					
Profit/(Loss) before tax		17,918,172	(1,196,934)	5,073,505	52,621
Adjustments for:					
Depreciation of property, plant and equipment		1,863,960	3,610,443	17,540	12,572
Depreciation of concession assets		3,974,135	1,480,046	–	–
Impairment losses on goodwill		–	1,597,310	–	–
Impairment of property, plant and equipment		4,227	–	–	–
Bad debts written off		1,084	–	–	–
Property, plant and equipment written off		267,060	–	–	–
Waiver of liability		(185,885)	–	–	–
Gain on disposal of property, plant and equipment		(785,851)	(701,055)	–	–
Increase in liability for defined benefit obligations		30,877	263,215	–	–
Inventories written off		32,649	149,367	–	–
Provision for doubtful debts		3,136,881	9,557,121	–	–
(Reversal)/Provision for liquidated ascertained damages		(727,738)	446,741	–	–
Interest expense		3,457,547	4,405,271	709,346	473,086
Interest income		(1,452,500)	(987,790)	(512,353)	(472,783)
Dividend income		–	–	(5,400,000)	(450,000)
Operating profit/(loss) before working capital changes		27,534,618	18,623,735	(111,962)	(384,504)
Changes in working capital:					
Property development costs		(26,867,310)	(37,003,312)	–	–
Biological assets		(2,960,375)	(2,487,539)	–	–
Amounts due from/(to) contracts customer		15,627,750	(5,249,454)	–	–
Inventories		325,846	13,577,247	–	–
Receivables		45,460,647	(8,836,001)	(65,665)	175,750
Payables		(14,160,902)	8,324,279	(98,999)	110,697
Intercompany balances		–	–	27,206,616	(36,979,275)
Cash generated from/(used in) operating activities		44,960,274	(13,051,045)	26,929,990	(37,077,332)
Tax paid		(2,734,690)	(7,089,283)	(79,475)	125,352
Net cash generated from/(used in) operating activities		42,225,584	(20,140,328)	26,850,515	(36,951,980)

Statements of Cash Flows

for the financial year ended 31 May 2012 (cont'd)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from investing activities					
Acquisition/increase of shares in a subsidiary	19	(409,159)	(1,417,528)	(29,451,404)	–
Purchase of property, plant and equipment		(1,608,019)	(14,388,780)	(15,262)	(59,155)
Purchase of concession assets		482,050	(1,254,589)	–	–
Proceeds from disposal of property, plant and equipment		5,741,114	6,689,234	–	–
Interest received		1,452,500	987,790	512,353	472,783
Dividends received		–	–	4,050,000	337,500
Net cash generated from/(used in) investing activities		5,658,486	(9,383,873)	(24,904,313)	751,128
Cash flows from financing activities					
Payments to hire purchase payables		(10,315,809)	(13,197,770)	–	–
Interest paid		(3,457,547)	(4,405,271)	(709,346)	(473,086)
Proceeds from rights issues		–	50,231,082	–	50,231,082
Drawdown of bank borrowings		41,108,029	50,540,170	–	1,546,001
Repayment of bank borrowings		(79,627,133)	(22,879,175)	(8,289,635)	(58,001)
Net cash (used in)/generated from financing activities		(52,292,460)	60,289,036	(8,998,981)	51,245,996
Net increase in cash and cash equivalents		(4,408,390)	30,764,835	(7,052,779)	15,045,144
Translation differences		905,460	(492,890)	–	–
Cash and cash equivalents as at 1 June		39,020,343	8,748,398	16,684,345	1,639,201
Cash and cash equivalents as at 31 May		35,517,413	39,020,343	9,631,566	16,684,345

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements
as at 31 May 2012

1. Summary of significant accounting policies

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the notes to financial statements and in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB").

(a) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 June 2011, the following new and amended FRS and IC Interpretations are mandatory for annual financial periods beginning on or after 1 June 2011.

Description	Effective for annual periods beginning on or after
• Improvements to FRSs 2010:	
- FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 & Disclosures for First-time Adopter	1 January 2011
- FRS 1, First-time Adoption of Financial Reporting Standards – Additional Exemptions for First-time Adopter	1 January 2011
- FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2011
- FRS 7, Financial Instruments - Disclosures – Improving Disclosures about Financial Instruments	1 January 2011
- FRS 7, Financial Instruments - Mandatory Effective Date of MFRS 9 and Transition Disclosures	Effective immediately
- FRS 9, Financial Instruments - Mandatory Effective Date of FRS 9 and Transition Disclosures	Effective immediately
- FRS 1, First-time Adoption of Financial Reporting Standards Disclosures for First time Adopter	1 January 2011
- FRS 3, Business Combinations	1 January 2011
- FRS 7, Financial Instruments: Disclosures	1 January 2011
- FRS 101, Presentation of Financial Statements	1 January 2011
- FRS 121, The Effects of Changes in Foreign Exchange Rates	1 January 2011
- FRS 128, Investments in Associates	1 January 2011
- FRS 131, Interests in Joint Ventures	1 January 2011
- FRS 132, Financial Instruments: Presentation	1 January 2011
- FRS 134, Interim Financial Reporting	1 January 2011
- FRS 139, Financial Instruments: Recognition and Measurement	1 January 2011
• IC Interpretation 4, Determining Whether an Arrangement contains a Lease	1 January 2011
• IC Interpretation 18, Transfer of Assets from Customers	1 January 2011

1. Summary of significant accounting policies (cont'd)

(a) Changes in accounting policies (cont'd)

Description	Effective for annual periods beginning on or after
• Amendment to IC Interpretations:	
- IC Interpretation 13, Customer Loyalty Programmes	1 January 2011
- IC Interpretation 15, Agreements for the Construction of Real Estate	30 August 2010
• TR i-4, Shariah Compliant Sales Contracts	1 January 2011

Except for the changes in accounting polices arising from the adoption of the Revised FRS 3 and Revised FRS 127, the adoption of the other standards and interpretations above did not have any effect on the financial performances or positions of the Group and of the Company.

The effects of changes in accounting policy are described below:

<u>Revised FRS 3, Business Combinations and Revised FRS 127 , Consolidated and Separate Financial Statements</u>

The revised FRS 3 introduced a number of changes in the accounting or business combinations occurring after 1 January 2011.

The FRS requires the acquirer, having recognised the identifiable assets, the liabilities and any non-controlling interests, to identify any difference between:

(i) The aggregate of the fair value of consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

(ii) The net identifiable assets acquired.

The difference will, generally, be recognised as goodwill. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss.

Revised FRS 127 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss. Furthermore, the standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107, Statements of Cash Flows, FRS 112, Income Taxes, FRS 121, The Effects of Changes in Foreign Exchange Rates, FRS 128, Investments in Associates and FRS 131, Interests in Joint Ventures.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

1. Summary of significant accounting policies (cont'd)

(b) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• Amendments to FRSs	
- FRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
- FRS 1, Government Loans	1 January 2013
- FRS 7, Disclosures - Transfers of Financial Assets	1 January 2012
- FRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
- FRS 101, Presentation of Items of Other Comprehensive Income	1 July 2012
- FRS 112, Deferred Tax: Recovery of Underlying Assets	1 January 2012
- FRS 132, Offsetting Financial Assets and Financial Liabilities	1 January 2014
• Improvements to FRSs (2012)	
- FRS 101, Amendment to Presentation of Financial Statement	1 January 2013
- FRS 116, Amendment to Property, Plant and Equipment	1 January 2013
- FRS 132, Amendment to Financial Instruments: Presentation	1 January 2013
- FRS 134, Amendment to Interim Financial Reporting	1 January 2013
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
• FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
• FRS 10, Consolidated Financial Statements	1 January 2013
• FRS 11, Joint Arrangements	1 January 2013
• FRS 12, Disclosure of Interests in Other Entities	1 January 2013
• FRS 13, Fair Value Measurement	1 January 2013
• FRS 119, Employee Benefits	1 January 2013
• FRS 124, Related Party Disclosures	1 January 2012
• FRS 127, Separate Financial Statements	1 January 2013
• FRS 128, Investment in Associates and Joint Ventures	1 January 2013
• IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012
• IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
• IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
• Amendments to IC Interpretations:	
- IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011

The Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Following the issuance of Malaysian Financial Reporting Standards ("MFRS") and IC interpretation by Malaysian Accounting Standard Board on 19 November 2011, the Group's and the Company's next set of financial statements will be prepared in accordance with International Financial Reporting Standards Framework. The change of the financial reporting framework is not expected to have any significant impact on the financial positions and performances of the Group and of the Company.

1. Summary of significant accounting policies (cont'd)

(c) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(ii) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(v) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

1. Summary of significant accounting policies (cont'd)

(c) Critical accounting estimates and judgements (cont'd)

(vi) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Deferred Tax Assets And Liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the end of reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the end of reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statements of comprehensive income in the period in which actual realisation and settlement occurs.

(viii) Construction Contracts

The Group recognised contract revenue and contract costs as revenue and expenses respectively in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by reference to the proportion of contract cost incurred for work performed to date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The difference in the estimated contract revenue and contract costs from management's estimates would not result in material variance in profit for the financial year.

(ix) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

1. Summary of significant accounting policies (cont'd)

(c) Critical accounting estimates and judgements (cont'd)

(x) Classification Between Investment Properties And Owner Occupied Properties

The Group determines whether a property qualifies as an investment property, and have developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(xi) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(xii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(xiii) Property Development

The Group recognised property development revenue and expenses in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience by relying on the work of specialists. Details of property development costs are disclosed in Note 21.

1. Summary of significant accounting policies (cont'd)

(c) Critical accounting estimates and judgements (cont'd)

(xiv) Projected Water Revenue of the Concession

Significant estimation is involved in determining projected water revenue of concessions where the concession period range between 12 to 22 years, commencing from 2005 to 2007. The projected water revenue is estimated based on the scheduled tariff as set out in the Concession Agreement and projected water consumption as assessed by the management.

A projection, in this context, means prospective financial information prepared on the basis of assumptions that included hypothetical assumptions as to future events and management's actions. The projection covers an extended future period for which there are inherent risks; actual results could differ from the projection, which will result in operating results being adjusted in the period in which the revision to assumptions is made.

(xv) Provision for Liquidated Ascertained Damages

Provision for Liquidated Ascertained Damages ("LAD") is in respect of projects undertaken by certain subsidiaries and is recognised for expected LAD claims based on the terms of the applicable sale and purchase agreements. Significant judgement is required in determining the amount of provision for LAD to be made. The Group evaluates the amount of provision required based on past experience, the industry norm and the results from continuous dialogs held with affected customers.

(d) Basis of consolidation

(i) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

1. Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

(ii) Accounting for business combinations

From 1 January 2011, the Group has applied Revised FRS 3, Business Combinations, in accounting for business combinations.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 to 1 January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

1. Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

(ii) Accounting for business combinations (cont'd)

Acquisitions between 1 January 2006 to 1 January 2011 (cont'd)

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statements of comprehensive income on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

The Group applied Revised FRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

1. Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

(iv) Transactions with Non-controlling interests

Transactions with Non-controlling interests are accounted for using the entity concept method, whereby, transactions with Non-controlling interests are accounted for as transactions with owners.

On acquisition of Non-controlling interest, the difference between the consideration and the Group's share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to Non-controlling interests is recognised directly in equity.

(v) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associates identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

1. Summary of significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

(vi) Jointly-controlled entity

The Group has interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The jointly controlled entities distribute or allocate the entire net profits or losses for the year to the joint venturers. The Group recognises its allocation of profits or losses from the jointly controlled entities in the statement of comprehensive income in the period in which it arises using proportionate consolidation method. Under the proportionate consolidation method, the Group's share of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the equivalent items in the financial statements on a line by line basis.

When the Group contributes or sells assets to the joint ventures, any portion of gain or loss from the transaction is recognised based on the substance if the transaction. When the Group purchases assets from the joint ventures, the Group does not recognise its share of the profits of the joint ventures from the transaction until it resells the assets to an independant party. The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

1. Summary of significant accounting policies (cont'd)

(e) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's and the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operation

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at average exchange rates for the financial year, which approximates the exchange rate at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	2012 RM	2011 RM
100 Rupiah	**0.0338**	0.0353
1 Singapore Dollar	**2.4772**	2.4000

1. Summary of significant accounting policies (cont'd)

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

(i) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 1(r).

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 1(j).

(iii) Rental income

Rental income are recognised on an accrual basis.

(iv) Interest income

Interest income is recognised on an accrual basis.

(v) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(vi) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vii) Management fees

Management fees are recognised when services are rendered.

(viii) Water concession

Revenue from water concession is recognised upon transfer of treated water as measured by the meter in the water treatment plant.

1. Summary of significant accounting policies (cont'd)

(g) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

The Group's and the Company's contribution to defined contribution plans are charged to the statements of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further liability in respect of the defined contribution plans.

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related services is performed.

(iii) Unfunded defined benefit plan

Foreign subsidiaries in Indonesia operates an unfunded defined benefit plan ("the plan") for its eligible employees in accordance with the local labour law. The defined benefit obligations under the plan, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries. That benefit is discounted to determine its present value.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of reporting date are discounted to present value.

1. Summary of significant accounting policies (cont'd)

(h) Borrowing costs

Borrowings are stated at cost with any difference between cost and redemption value being recognised in the statements of comprehensive income over the period of the loans and borrowings using the effective interest method.

Borrowing costs incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other borrowing costs are charged to the statements of comprehensive income.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(i) Tax expense

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

1. Summary of significant accounting policies (cont'd)

(i) Tax expense (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost.

(j) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(k) Impairment

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and non-trade receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

1. Summary of significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Impairment of financial assets (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

1. Summary of significant accounting policies (cont'd)

(l) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold land	Over lease period
Buildings	2%
Plant and machinery	5% - 10%
Tools and equipment	10%
Office equipment	10%
Furniture and fittings	10%
Renovations	10%
Motor vehicles	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(m) Biological assets

Oil palm planting expenditure

New planting expenditure incurred on land clearing and upkeep of palms to maturity is stated at cost and capitalised under biological assets. A portion of the indirect overheads which include estate administration and finance cost incurred on immature plantation is similarly capitalised under biological assets until such time when the plantation attains maturity.

No amortisation is considered necessary on oil palm planting expenditure as its value is maintained through replanting programme. Replanting expenditure is recognised in the statements of comprehensive income in the year in which the expenditure is incurred.

1. Summary of significant accounting policies (cont'd)

(n) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(o) Concession assets

Concession assets comprise structures, land and buildings, water treatment plants and equipment, reservoirs, dams and distribution pipes operated and maintained by the Group under the Concession Agreements entered into by the Group.

Concession assets are depreciated over the concession period using the unit of water revenue method as follows:

$$\frac{\text{Cumulative actual water revenue}}{\text{Total projected water revenue of the concession}} \times \text{Concession assets capitalised to date}$$

The rationale for using the unit of water revenue method is in line with the pattern in which the assets' economic benefits are consumed by the Group.

The projected total water revenue is estimated based on the scheduled tariff and projected water consumption.

At each end of reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(p) Goodwill on consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1. Summary of significant accounting policies (cont'd)

(p) Goodwill on consolidation (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 1(e) to the financial statements.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(q) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at loans and receivables, available-for-sale and held-to-maturity investments financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

1. Summary of significant accounting policies (cont'd)

(q) Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company have the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

1. Summary of significant accounting policies (cont'd)

(r) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the statements of comprehensive income over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the statements of comprehensive income is classified as progress billings within trade payables.

(s) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average cost basis. The cost of raw materials and construction materials at site comprise costs of purchase. The cost of finished goods comprises costs of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads. The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, deposits pledged and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

1. Summary of significant accounting policies (cont'd)

(u) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables and non-trade payables.

Trade and non-trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Hire purchase arrangements

Plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations are taken up as hire purchase creditors.

The interest element is charged to the statements of comprehensive income over the year of respective hire purchase arrangements.

1. Summary of significant accounting policies (cont'd)

(w) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease Note 1(n); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amounts of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 1(l).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

1. Summary of significant accounting policies (cont'd)

(w) Leases (cont'd)

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

(x) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognised as finance cost.

(y) Warrants

Warrants are recognised on the date of issue. The issue of ordinary shares upon exercise of warrants are treated as new subscription of ordinary shares for the consideration equivalent to the warrants exercise price.

(z) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(aa) Segment reporting

For management purposes, the Group is organised into operating segments based on their nature of business. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the Note 36 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Gross dividend from subsidiaries	–	–	5,400,000	450,000
Revenue from construction contracts	188,548,092	299,091,045	–	–
Rental income	578,633	744,717	–	–
Sale of development properties	40,889,847	35,950,045	–	–
Trading in protective and decorative coatings	–	8,744	–	–
Water concession	16,330,968	14,692,292	–	–
Management fees from subsidiaries	–	–	3,050,000	3,182,000
	246,347,540	350,486,843	8,450,000	3,632,000

3. Cost of sales

Cost of sales represents cost of inventories sold, cost of services provided, contract costs recognised as an expense, cost of development properties sold and cost of processing treated water.

4. Other Income

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income from:				
- Fixed deposits	1,452,500	987,790	512,353	472,783
- Overdue from purchaser	222,626	156,273	–	–
- Reversal of prior year fair value adjustment	609,819	–	–	–
Net gain on disposal of property plant and equipment	808,071	701,055	–	–
Administration fees	782,580	458,317	–	–
Sales of scrap iron	169,865	258,132	–	–
Rental income	99,300	144,000	–	–
Miscellaneous	1,509,984	825,144	–	–
Realised gain on foreign exchange	28,230	–	28,230	–
	5,682,975	3,530,711	540,583	472,783

5. Finance costs

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Finance costs:				
- bank borrowings	**2,495,526**	4,122,834	**709,346**	473,086
- hire purchase interest	**962,021**	282,437	**–**	–
	3,457,547	4,405,271	**709,346**	473,086

6. Profit/(loss) before tax

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Auditors' remuneration statutory audit				
Holding company's auditors				
- current	**139,900**	94,500	**41,600**	42,000
- under provision in prior year	**–**	48,063	**2,000**	–
Other auditors				
- current	**125,048**	134,149	**–**	–
- under provision in prior year	**28,279**	31,100	**–**	–
Bad debt written off	**1,084**	–	**–**	–
Depreciation of property, plant and equipment (Note 12)	**1,863,960**	3,610,443	**17,540**	12,572
Depreciation of concession assets (Note 15)	**3,974,135**	1,480,046	**–**	–
Employee benefits expense (Note 7)	**10,586,231**	9,374,385	**2,029,245**	2,303,804
Gain on disposal of property, plant and equipment	**(785,851)**	(701,055)	**–**	–
Impairment of goodwill				
- included in other expenses (Note 19)	**–**	1,597,310	**–**	–
Impairment of property, plant and equipment	**4,227**	–	**–**	–
Increase in liabilitiy for defined benefit obligations	**30,877**	263,215	**–**	–
Interest income in fixed deposits	**(1,452,500)**	(987,790)	**(512,353)**	(472,783)
Inventories written off	**32,649**	149,367	**–**	–
Net foreign exchange gain	**(28,230)**	–	**–**	–
Non-executive directors' fees (Note 8)	**150,000**	126,000	**150,000**	126,000
Operating leases				
- minimum lease payments for land and building	**–**	–	**213,703**	134,676
- income from lease of land and buildings	**–**	(148,900)	**–**	–
(Reversal)/Provision for liquidated ascertained damages (Note 32)	**(727,738)**	446,741	**–**	–
Provision for doubtful debts (Note 24)	**3,136,881**	9,557,121	**–**	–
Property, plant and equipment written off	**267,060**	–	**–**	–
Waiver of liability	**185,885**	–	**–**	–

7. Employee benefits expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Salaries and other benefits	9,501,322	8,099,772	1,869,210	2,122,831
Contributions to:				
- defined contribution plan	787,842	1,011,398	160,035	180,973
- defined benefit plan (Note 31)	297,067	263,215	–	–
	10,586,231	9,374,385	2,029,245	2,303,804

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,045,456 (2011: RM2,663,409) and RM164,167 (2011: RM156,141) respectively as further disclosed in Note 8 to the financial statements.

The total number of employees, inclusive of executive Directors, of the Group and of the Company at the end of the financial year are 173 persons (2011: 159) and 24 persons (2011: 26) respectively.

8. Directors' remuneration

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors of the Company:				
Executive:				
Salaries and other emoluments	492,500	468,422	164,167	156,141
Non-Executive:				
Fees (Note 6)	150,000	126,000	150,000	126,000
Salaries and other emoluments	64,915	61,700	64,915	61,700
	707,415	656,122	379,082	343,841
Directors of subsidiaries:				
Executive:				
Salaries and other emoluments	2,391,478	2,040,493	–	–
Defined contribution plan	161,478	154,494	–	–
	2,552,956	2,194,987	–	–
Total directors' remuneration	3,260,371	2,789,409	379,082	282,141
Estimated money value of benefits in kind	39,500	26,400	2,400	3,900
Total directors' remuneration including benefits-in-kind	3,299,871	2,815,809	381,482	286,041

8. Directors' remuneration (cont'd)

The Directors' remuneration is detailed as follows:

Directors	Fees RM	Salary and other emoluments RM	Benefits-in-kind RM	Total RM
2012				
Executive Director:				
Tan Sri Dato' Kok Onn	–	492,500	7,200	499,700
Non-Executive Directors:				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	50,000	22,000*	–	72,000
Adam Bin Bachek	50,000	21,915*	–	71,915
Boey Tak Kong	50,000	21,000*	–	71,000
	150,000	557,415	7,200	714,615
2011				
Executive Director:				
Tan Sri Dato' Kok Onn	–	468,422	11,700	480,122
Non-Executive Directors:				
Datuk Wan Lokman Bin Dato' Wan Ibrahim	42,000	20,900*	–	62,900
Adam Bin Bachek	42,000	20,900*	–	62,900
Boey Tak Kong	42,000	19,900*	–	61,900
	126,000	530,122	11,700	667,822

* Include leave passage and meeting allowance

9. Tax expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense:				
Malaysian income tax	669,167	2,599,041	86,700	315,175
Foreign tax	1,101,503	922,106	–	–
	1,770,670	3,521,147	86,700	315,175
Over provision in prior years:				
Malaysian income tax	(134,730)	(904,530)	(470)	(18,253)
	1,635,940	2,616,617	86,230	296,922

9. Tax expense (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax (Note 20):				
Current year provision	2,547,056	(89,830)	–	–
Under provision in prior years	–	451,340	–	11,179
	2,547,056	361,510	–	11,179
	4,182,996	2,978,127	86,230	308,101

Reconciliation of effective tax rates

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before tax	17,918,172	(1,196,934)	5,073,505	52,621
Taxation at Malaysian statutory tax rate of 25%	4,479,543	(299,234)	1,268,376	13,155
Effect of different tax rates in other countries	–	137,223	–	–
Income not subject to tax	(4,022,889)	(183,977)	(1,360,545)	(29,667)
Expenses not deductible for tax purposes	1,313,203	2,859,652	243,403	431,146
Group relief	(64,624)	–	(64,624)	(114,784)
Relating to origination and reversal of temporary differences	2,612,493	917,653	90	15,325
Over provision of income tax in prior years	(134,730)	(904,530)	(470)	(18,253)
Under provision of deferred tax in prior years	–	451,340	–	11,179
	4,182,996	2,978,127	86,230	308,101

Subject to the agreement with the tax authorities, the Group has unutilised tax losses and unabsorbed capital allowances to be set off against future taxable profits as follows:

	Group	
	2012 RM	2011 RM
Unutilised tax losses	4,866,641	4,835,560
Unabsorbed capital allowances	3,585,026	4,136,932
	8,451,667	8,972,492

10. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012 RM	2011 RM
Profit/(Loss) for the year attributable to owners of the parent	14,451,456	(4,403,682)
Weighted average number of ordinary shares in issue	196,691,218	196,691,218
Basic earnings/(loss) per share (sen)	7.35	(2.24)

10. Earnings per share (cont'd)

(b) Diluted

There is no dilution in earnings per share as there are no dilutive potential ordinary shares.

11. Jointly controlled entities

Details of the jointly controlled entities, all of which are unincorporated joint ventures domiciled in Malaysia, are as follows:

Name of jointly controlled entities	Principal activities	Proportion of ownership 2012 %	2011 %
Held by Gadang Engineering Sdn. Bhd.:			
Konsortium Gadang Perembun*	Undertake design and build of the Cheras Rehabilitation Hospital	**55**	55
Held by Datapuri Sdn. Bhd.:			
Zeta Datapuri JV*	Undertake the development of new LCCT terminal and associated works at KL International Airport	**45**	45

	2012 RM	2011 RM
Assets and liabilities		
Non-current assets	**285,227**	578,618
Current assets	**25,185,662**	34,130,928
Total assets	**25,470,889**	34,709,546
Current liabilities, representing total liabilities	**14,987,845**	26,702,468
Results		
Revenue	**38,562,711**	65,186,198
Expenses, including finance costs and taxation	**4,762,801**	4,512,010

* The Group recognises its interest in the jointly controlled entities using the proportionate consolidation method as disclosed in Note 1(d) to the financial statements.

12. Property, plant and equipment

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
31 May 2012										
Cost/Valuation										
At 1 June	3,060,411	2,742,164	6,723,166	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	146,139,881
Additions	–	–	68,360	106,223	725,170	630,138	92,664	1,286,714	1,067	2,910,336
Reclassifications	–	–	1,863,190	(1,325,662)	1,325,705	71,151	(15,072)	1	(1,863,190)	56,123
Disposals/Write off	–	(2,336,403)	–	(4,909,668)	(695,601)	(281,027)	(48,002)	(852,318)	(169,910)	(9,292,929)
Exchange difference	(8,515)	–	(61,030)	(83,030)	(16,558)	(13,249)	–	(22,749)	(785)	(205,916)
At 31 May	3,051,896	405,761	8,593,686	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	139,607,495
Representing:										
At cost	–	405,761	–	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	127,961,913
At valuation	3,051,896	–	8,593,686	–	–	–	–	–	–	11,645,582
	3,051,896	405,761	8,593,686	97,261,949	10,929,716	4,424,052	2,240,735	11,547,509	1,152,191	139,607,495
Accumulated depreciation										
At 1 June	–	343,388	1,979,691	47,391,301	6,483,457	3,302,009	1,468,091	7,496,333	1,236,833	69,701,103
Reclassification	–	318,744	(820,016)	1,213,651	(471,450)	(152,271)	(21,293)	(133,675)	(22,322)	(88,632)
Depreciation charge for the financial year:										
Recognised in statement of comprehensive income (Note 6)	–	4,929	496,743	53,217	565,199	196,007	76,773	589,844	(118,752)	1,863,960
Capitalised in construction costs (Note 22)	–	–	–	6,081,960	268,320	32,613	22,290	697,219	–	7,102,402
	–	4,929	496,743	6,135,177	833,519	228,620	99,063	1,287,063	(118,752)	8,966,362
Exchange difference	–	–	(23,195)	(9,670)	(41,529)	(10,937)	–	(19,563)	(785)	(105,679)
Disposals/Write off	–	(318,744)	–	(2,161,310)	(413,788)	(221,580)	(41,062)	(779,502)	(106,679)	(4,042,665)
At 31 May	–	348,317	1,633,223	52,569,149	6,390,209	3,145,841	1,504,799	7,850,656	988,295	74,430,489
Net carrying amount										
At 31 May										
At cost	–	57,444	–	44,692,800	4,539,507	1,278,211	735,936	3,696,853	163,896	55,164,647
At valuation	3,051,896	–	6,960,463	–	–	–	–	–	–	10,012,359
	3,051,896	57,444	6,960,463	44,692,800	4,539,507	1,278,211	735,936	3,696,853	163,896	65,177,006

12. Property, plant and equipment (cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Total RM
31 May 2011										
Cost/Valuation										
At 1 June	3,155,435	2,742,164	6,846,107	98,668,496	7,271,362	3,619,283	1,695,450	10,878,485	1,094,412	135,971,194
Additions	–	–	3,171	14,382,120	1,980,303	436,301	568,835	655,090	2,062,006	20,087,826
Reclassifications	(93,889)	–	(125,919)	(340,313)	341,543	(12,199)	(53,140)	187,806	28,591	(67,520)
Disposals	–	–	–	(9,218,373)	–	(44,765)	–	(442,591)	–	(9,705,729)
Exchange difference	(1,135)	–	(193)	(17,844)	(2,208)	18,419	–	(142,929)	–	(145,890)
At 31 May	3,060,411	2,742,164	6,723,166	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	146,139,881
Representing:										
At cost	–	2,742,164	–	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	136,356,304
At valuation	3,060,411	–	6,723,166	–	–	–	–	–	–	9,783,577
	3,060,411	2,742,164	6,723,166	103,474,086	9,591,000	4,017,039	2,211,145	11,135,861	3,185,009	146,139,881
Accumulated depreciation										
At 1 June	–	291,731	1,948,705	43,268,392	5,461,689	3,101,541	1,365,165	6,533,280	950,025	62,920,528
Reclassification	–	–	(123,771)	375,917	136,133	11,228	1,464	156,497	27,298	584,766
Depreciation charge for the financial year:										
Recognised in statement of comprehensive income (Note 6)	–	51,657	154,950	1,390,307	663,445	212,112	82,532	795,930	259,510	3,610,443
Capitalised in construction costs (Note 22)	–	–	–	5,587,948	222,937	7,853	18,930	576,021	–	6,413,689
	–	51,657	154,950	6,978,255	886,382	219,965	101,462	1,371,951	259,510	10,024,132
Exchange difference	–	–	(193)	(1,063)	(747)	13,406	–	(131,879)	–	(120,476)
Disposals	–	–	–	(3,230,200)	–	(44,131)	–	(433,516)	–	(3,707,847)
At 31 May	–	343,388	1,979,691	47,391,301	6,483,457	3,302,009	1,468,091	7,496,333	1,236,833	69,701,103
Net carrying amount										
At 31 May										
At cost	–	2,398,776	–	56,082,785	3,107,543	715,030	743,054	3,639,528	1,948,176	68,634,892
At valuation	3,060,411	–	4,743,475	–	–	–	–	–	–	7,803,886
	3,060,411	2,398,776	4,743,475	56,082,785	3,107,543	715,030	743,054	3,639,528	1,948,176	76,438,778

12. Property, plant and equipment (cont'd)

	Furniture and fittings RM	Office equipment RM	Total RM
Company			
At 31 May 2012			
Cost			
At 1 June 2011	27,427	144,852	172,279
Additions	–	15,262	15,262
At 31 May 2012	27,427	160,114	187,541
Accumulated depreciation			
At 1 June 2011	5,677	60,011	65,688
Depreciation charge for the financial year	2,742	14,798	17,540
At 31 May 2012	8,419	74,809	83,228
Net carrying amount	19,008	85,305	104,313
At 31 May 2011			
Cost			
At 1 June 2010	13,499	99,625	113,124
Additions	13,928	45,227	59,155
At 31 May 2011	27,427	144,852	172,279
Accumulated depreciation			
At 1 June 2010	3,958	49,158	53,116
Depreciation charge for the financial year	1,719	10,853	12,572
At 31 May 2011	5,677	60,011	65,688
Net carrying amount	21,750	84,841	106,591

12. Property, plant and equipment (cont'd)

(a) Freehold land and buildings were revalued by the directors in 1997 after taking into consideration all relevant factors including the latest open market valuation on existing use basis carried out by an independent firm of professional valuers. These properties will henceforth be stated on the basis of the 1997 valuation, as allowed by the transitional provisions in the accounting standard on property, plant and equipment.

The net book values of the revalued properties had they been carried at cost less depreciation would have been:

	Group	
	2012 RM	2011 RM
Freehold land	**2,860,000**	2,860,000
Buildings	**6,321,812**	4,659,317

(b) Freehold land and buildings with an aggregate net book value of RM9,181,812 (2011: RM7,519,317) are pledged to a licensed bank as security for credit facilities granted to the Company as referred to in Note 30 to the financial statements.

(c) The net book values of property, plant and equipment acquired under hire purchase contracts are as follows:

	Group	
	2012 RM	2011 RM
Plant and machinery	**9,761,089**	22,329,427
Motor vehicles	**3,007,418**	3,693,975
	12,768,507	26,023,402

(d) Additions to property, plant and equipment during the financial year were acquired as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash payments	**1,608,019**	14,388,780	**15,262**	59,155
Hire purchase contracts	**1,302,317**	5,699,046	**–**	–
	2,910,336	20,087,826	**15,262**	59,155

(e) The title deed of the leasehold land with carrying amount of RM132,480 (2011: RM134,400) is in the process of being registered in the name of the Group.

In the previous financial year, the leasehold land and buildings with carrying amounts of RM2,017,659 has been pledged to a licensed bank as security for term loans and credit facilities granted to a subsidiary as referred to in Note 30 to the financial statements.

13. Biological assets

	Group 2012 RM	2011 RM
At 1 June	**3,886,837**	1,399,298
Cost incurred during the financial year	**2,960,375**	2,487,539
At 31 May	**6,847,212**	3,886,837

14. Investment properties

	Group 2012 RM	2011 RM
At 1 June	**15,417,640**	15,417,640
Contra of properties	**5,230,000**	–
At 31 May	**20,647,640**	15,417,640
Represented by:		
Freehold land	**15,417,640**	15,417,640
Building	**5,230,000**	–

Investment properties with an aggregate carrying value of RM20,424,840 (2011:RM15,194,840) are pledged as securities for borrowings as disclosed in Note 30 to the financial statements.

The fair values of the investment properties as at 31 May 2012 of the Group are estimated at RM24,846,270 (2011: RM19,593,708) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity.

15. Concession assets

	Group 2012 RM	Group 2011 RM
Cost		
At 1 June 2011	**47,079,101**	45,890,077
Reclassification	**(55,451)**	–
Additions	**482,050**	1,254,589
Disposal	**(1,230)**	–
Exchange difference	**(1,204,966)**	(65,565)
At 31 May	**46,299,504**	47,079,101
Accumulated depreciation		
At 1 June 2011	**11,473,839**	10,035,280
Depreciation charge for the financial year (Note 6)	**3,974,135**	1,480,046
Reclassification	**(1,733,920)**	–
Disposal	**(810)**	–
Exchange difference	**(599,707)**	(41,487)
At 31 May	**13,113,537**	11,473,839
Net carrying amount	**33,185,967**	35,605,262

16. Investments in subsidiaries

	Company 2012 RM	Company 2011 RM
Unquoted shares at cost	**114,609,255**	85,157,851

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held 2012	Equity interest held 2011	Principal activities
Gadang Engineering (M) Sdn Bhd and its subsidiaries	Malaysia	100%	100%	Earthwork, building and civil engineering and construction work contractors and investment holding
Bincon Sdn. Bhd.	Malaysia	100%	100%	Hire of plant and machinery
Era Berkat Sdn. Bhd.	Malaysia	51%	51%	Earthwork contractor
Katah Realty Sdn. Bhd.	Malaysia	100%	100%	Building and civil engineering construction works
Kartamo Corporation Sdn. Bhd.	Malaysia	100%	100%	Building and civil engineering construction works
Gadang Construction Sdn. Bhd. and its subsidiaries	Malaysia	100%	100%	Processing and supply of rock products and the manufacture of readymixed concrete
New-Mix Concrete Industries Sdn. Bhd.	Malaysia	100%	100%	Trading in readymixed concrete
Gadang Engineering and Construction (India) Pvt Ltd*	India	–	95%	Dormant
Regional Utilities Sdn. Bhd. and its subsidiaries	Malaysia	100%	100%	Investment holding
Asian Energy Pte. Ltd.*	Singapore	100%	100%	Investment holding
Asian Utilities Pte. Ltd.* and its subsidiaries	Singapore	100%	100%	Investment holding
PT Taman Tirta Sidoarjo*	Indonesia	95%	95%	Water concession
Green Water Investment Pte Ltd *	Singapore	100%	100%	Water concession
PT Bintang Hytien Jaya*	Indonesia	95%	95%	Water concession
PT Hanarida Tirta Birawa*	Indonesia	95%	95%	Water concession
PT Sarana Catur Tirtakelola* and its subsidiary	Indonesia	65%	65%	Water concession

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2012	Equity interest held 2011	Principal activities
Asian Utilities Pte. Ltd.* and its subsidiaries (cont'd)				
PT Sarana Tirta Rejeki * (80% nominal equity interest is held through PT Sarana Catur Tirtakelola and 10% is held through Asian Utilities Pte Ltd)	Indonesia	62%	62%	Water concession
Datapuri Sdn. Bhd.	Malaysia	51%	51%	Provision of mechanical and electrical engineering services
Mandy Corporation Sdn. Bhd.	Malaysia	100%	100%	Property development
Achwell Property Sdn. Bhd.	Malaysia	100%	100%	Property development
Gadang Land Sdn. Bhd. and its subsidiaries	Malaysia	100%	100%	Provision of project management services and investment holding
Magnaway Sdn. Bhd.	Malaysia	100%	100%	Property management and maintenance
Noble Paradise Sdn. Bhd.	Malaysia	100%	100%	Property development
Sama Pesona Sdn. Bhd.	Malaysia	100%	100%	Property development
Damai Klasik Sdn. Bhd.	Malaysia	100%	100%	Property development
City Version Sdn. Bhd.	Malaysia	100%	100%	Property development
Gadang Properties Sdn. Bhd. and its subsidiary	Malaysia	100%	100%	Property investment and development
Buildmark Sdn. Bhd.	Malaysia	100%	100%	Property development and investment
Flora Masyhur Sdn. Bhd.	Malaysia	100%	100%	Property development
Splendid Pavilion Sdn. Bhd.	Malaysia	100%	100%	Property development
Natural Domain Sdn. Bhd.	Malaysia	100%	100%	Property development
Crimson Villa Sdn. Bhd.	Malaysia	100%	100%	Dormant

16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Equity interest held 2012	Equity interest held 2011	Principal activities
Gadang Land Sdn. Bhd. and its subsidiaries (cont'd)				
Elegance Sonata Sdn. Bhd.	Malaysia	100%	100%	Property development
Hillstrand Development Sdn. Bhd.	Malaysia	100%	100%	Dormant
Detik Tiara Sdn. Bhd.	Malaysia	100%	100%	Property development
Skyline Symphony Sdn. Bhd.	Malaysia	100%	100%	Property development
Camar Ajaib Sdn. Bhd.	Malaysia	100%	70%	Property development
Prelude Avenue Sdn. Bhd.	Malaysia	100%	–	Property development
Gadang International (HK) Ltd * and its subsidiary	Hong Kong	100%	100%	Dormant
Jiawei Environment International Investment (HK) Ltd*	Hong Kong	100%	100%	Dormant
GLP Resources (M) Sdn. Bhd. and its subsidiaries	Malaysia	100%	100%	General trading
GLP Manufacturing (M) Sdn. Bhd.	Malaysia	100%	100%	General trading
GLP Paints (M) Sdn. Bhd.	Malaysia	100%	100%	General trading
Gadang Plantations Holdings Sdn. Bhd. and its subsidiaries	Malaysia	100%	100%	Investment holding
Desiran Impian Sdn. Bhd.	Malaysia	100%	100%	Plantation
Jauhari Mahir Sdn. Bhd.	Malaysia	100%	100%	Plantation

* Audited by firms other than PKF

16. Investments in subsidiaries (cont'd)

(a) Acquisition of subsidiaries during the financial year

(i) On 9 September 2011, Flora Masyhur Sdn Bhd ("FMSB"), the Company indirect wholly-owned subsidiary, had acquired 300,000 ordinary shares of RM1.00 each representing 30% of the issued and paid-up share capital of Camar Ajaib Sdn Bhd ("CASB") from the minority shareholders, Raja Zainal Abidin Bin Raja Hussin and Raja Mahmood Bin Raja Hussein for a total cash consideration of RM86,000, thereby resulting in CASB becoming a wholly-owed subsidiary of FMSB.

(ii) On 3 April 2012, Gadang Land Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Prelude Avenue Sdn Bhd ("Prelude Avenue") for total consideration of RM2.00. Prelude Avenue was incorporated on 28 December 2010 and its principal activity is property development.

The acquisition of subsidiaries as disclosed in Note 16(a)(i), (ii) and (iii) do not have any material effect on the financial positions and results of the Group.

(b) Acquisition of subsidiaries in the previous financial year

During the previous financial year, the Group completed the following acquisitions:

(i) On 5 October 2010, Gadang Plantations Holdings Sdn Bhd, the Company's wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Jauhari Mahir Sdn Bhd ("Jauhari Mahir") for total consideration of RM2.00. Jauhari Mahir was incorporated on 27 January 2010 and its principal activity is oil palm plantation.

(ii) On 19 October 2010, the Company's indirect wholly-owned subsidiary, Asian Utilities Pte Ltd ("AUPL"), acquired an additional 334 shares representing 10% equity interest in PT. Hanarida Tirta Birawa ("HTB") from the minority shareholders, Joko Tripujono Sunaryo and Muchtar Hadi for a total cash consideration of Indonesian Rupiah (IDR) 3,466,000,000 (equivalent to approximately RM1.22 million). In consequence thereof, AUPL's equity interest in HTB increased from 85% to 95%.

(iii) On 11 November 2010, the Company's indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd completed its acquisition of 70% equity interest in Camar Ajaib Sdn Bhd ("CASB"). Accordingly, CASB became an indirect 70% owned subsidiary of the Company.

The acquisition of subsidiaries as disclosed in Note 16(b)(i),(ii) and (iii) do not have any material effect on the financial position and results of the Group.

17. Investments in associates

	Group 2012 RM	2011 RM
In Malaysia:		
Unquoted shares, at cost	25	25
Share of post-acquisition reserves	(25)	(25)
	–	–
Analysed as:		
Share of net assets	–	–

Details of the associate, which is incorporated in Malaysia are as follows:

Name of associates	Equity interest held 2012 %	2011 %	Principal activities
Maha Abadi Sdn. Bhd.	25	25	Dormant

18. Other investments

	Group 2012 RM	2011 RM
Available-for-sale financial assets		
Unquoted shares at cost	100,000	100,000
Golf club membership	126,000	126,000
	226,000	226,000

19. Goodwill on consolidation

	Group 2012 RM	2011 RM
Cost		
At 1 June 2011/2010	16,885,732	17,033,313
Reclassification	409,159	–
Acquisition of a subsidiary	–	1,449,729
At 31 May 2012	17,294,891	18,483,042
Accumulated amortisation and impairment (Note 6)	–	(1,597,310)
Net carrying amount	17,294,891	16,885,732

19. Goodwill on consolidation (cont'd)

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash-generating units ("CGUs") identified according to the particular business segments as follows:

	Group	
	2012 RM	2011 RM
At 31 May		
Property development	12,811,135	12,811,135
Water concession	4,483,756	4,074,597
	17,294,891	16,885,732

	Discount rate	Discount rate
At 31 May		
Property development	7.8%	7.8%
Water concession	13.0% - 15.0%	13.0% - 15.0%

The recoverable amount of a CGU is determined based on value in use calculations applying a discounted cash flow model based on financial budgets approved by management covering a 5 to 25 years period. Cash flows beyond the five-year period are projected based on the assumptions that the 5th year operating cash flow will be generated by the respective CGUs perpetually. Discount rate used is based on the pre-tax weighted average cost of capital.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying values of the goodwill to materially exceed their recoverable amounts.

20. Deferred taxation

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 June 2011	5,207,997	4,724,369	23,861	12,682
Recognised in statements of comprehensive income (Note 9)	2,547,056	361,510	–	11,179
Exchange difference	–	122,118	–	–
At 31 May	7,755,053	5,207,997	23,861	23,861
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	8,519,728	6,029,307	23,861	23,861
Deferred tax assets	(764,675)	(821,310)	–	–
	7,755,053	5,207,997	23,861	23,861

20. Deferred taxation (cont'd)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Land under development RM	Concession assets RM	Property, plant and equipment RM	Total RM
At 1 June 2011	3,000,688	1,872,781	1,155,838	6,029,307
Recognised in statements of comprehensive income	53,124	27,333	2,409,964	2,490,421
Exchange difference	–	–	–	–
At 31 May 2012	**3,053,812**	**1,900,114**	**3,565,802**	**8,519,728**
At 1 June 2010	3,052,140	1,824,112	704,139	5,580,391
Recognised in statements of comprehensive income	(51,452)	(75,895)	451,699	324,352
Exchange difference	–	124,564	–	124,564
At 31 May 2011	3,000,688	1,872,781	1,155,838	6,029,307

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM
At 1 June 2011	(821,310)
Recognised in statements of comprehensive income (Note 9)	56,635
At 31 May 2012	**(764,675)**
At 1 June 2010	(856,022)
Recognised in statements of comprehensive income (Note 9)	34,712
At 31 May 2011	(821,310)

20. Deferred taxation (cont'd)

Deferred tax liabilities of the Company:

	Property, plant and equipment RM
At 1 June 2011	23,861
Recognised in statements of comprehensive income (Note 9)	–
At 31 May 2012	**23,861**
At 1 June 2010	12,682
Recognised in statements of comprehensive income (Note 9)	11,179
At 31 May 2011	23,861

Deferred tax assets have not been recognised in respect of the following items:

	Group 2012 RM	Group 2011 RM
Unused tax losses	**4,866,641**	4,835,560
Unabsorbed capital allowances	**3,585,026**	4,136,932
	8,451,667	8,972,492

21. Property development costs

	Group 2012 RM	Group 2011 RM
Cumulative property development costs		
At 1 June		
Freehold land	**81,753,906**	62,979,957
Leasehold land	**25,855,706**	25,855,706
Development costs	**72,222,539**	40,559,078
	179,832,151	129,394,741
(Income)/Costs incurred during the financial year:		
Freehold land	**(17,292,165)**	18,773,949
Development costs	**72,140,197**	31,663,461
	234,680,183	179,832,151

21. Property development costs (cont'd)

	Group 2012 RM	Group 2011 RM
Cumulative costs recognised in statements of comprehensive income		
At 1 June 2011	(67,998,285)	(54,564,187)
Recognised during the financial year	(27,980,722)	(13,434,098)
At 31 May	(95,979,007)	(67,998,285)
Property development costs at 31 May	138,701,176	111,833,866
Analysed as:		
Freehold land	64,461,741	81,753,906
Leasehold land	25,855,706	25,855,706
Development costs	144,362,736	72,222,539
Cumulative costs recognised in statements of comprehensive income	(95,979,007)	(67,998,285)
	138,701,176	111,833,866

(a) In the previous financial year, the freehold land under development of the Group with a carrying value of RM8,344,599 has been pledged to a licensed bank as security for credit facilities granted to certain subsidiaries as referred to in Note 30 to the financial statements.

(b) The freehold land under development of the Group with a carrying value of RM39,685,452 (2011: RM42,860,398) is charged as security for term loans and credit facilities granted to the Company and certain subsidiaries as referred to in Note 30 to the financial statements.

(c) The leasehold land under development of the Group with a carrying value of RM33,985,365 (2011: RM15,658,135) has been pledged to licensed banks as security for term loans and credit facilities granted to certain subsidiaries as referred to in Note 30 to the financial statements.

22. Amounts due from/(to) contracts customers

	Group 2012 RM	Group 2011 RM
Construction contract costs incurred to date	**1,769,048,435**	1,109,668,766
Attributable profits	**84,187,891**	33,166,297
	1,853,236,326	1,142,835,063
Less: Progress billings	**(1,786,209,430)**	(1,069,220,441)
Due from customers on contracts-in-progress	**67,026,896**	73,614,622
Due from customers on completed contracts for which final accounts have not been issued	**2,864,767**	4,802,389
	69,891,663	78,417,011
Due from customers on contracts	**69,939,512**	80,039,794
Due to customers on contracts	**(47,849)**	(1,622,783)
	69,891,663	78,417,011
Advances received on contracts, included within trade payables (Note 33)	**11,803,169**	4,508,211
Retention sums on contracts, included within trade receivables (Note 24)	**17,687,430**	18,028,682
Contract costs recognised as an expense	**160,811,064**	306,105,362

Contract revenue recognised during the financial year is disclosed in Note 2 to the financial statements.

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group 2012 RM	Group 2011 RM
Depreciation of property, plant and equipment (Note 12)	**7,102,402**	6,413,689
Hire of plant and machinery	**15,105,408**	20,600,830

23. Inventories

	Group 2012 RM	Group 2011 RM
At cost:		
Raw materials	**32,307**	30,354
Oil palm nurseries	**423,820**	668,876
Finished goods	**290,457**	296,830
Properties held for sale	**863,822**	940,192
	1,610,406	1,936,252
At net realisable value:		
Finished goods	**–**	32,649
	1,610,406	1,968,901

24. Trade and non-trade receivables

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade receivables	**30,371,712**	86,952,340	**–**	–
Retention sums (Note 22)	**17,687,430**	18,028,682	**–**	–
Accrued billings on contracts in respect of property development costs	**10,000,000**	–	**–**	–
	58,059,142	104,981,022	**–**	–
Amounts due from subsidiaries	**–**	–	**125,460,824**	146,544,915
Non-trade receivables	**10,032,410**	9,515,961	**104,464**	42,522
Prepayments	**484,073**	363,512	**31,352**	27,628
Deposits	**1,875,306**	3,718,593	**1,000**	1,000
Advances to subcontractors	**3,647,840**	6,000,582	**–**	–
Liquidated ascertained damages receivable from sub-contractor	**–**	210,833	**–**	–
	16,039,629	19,809,481	**125,597,640**	146,616,065
Trade and other receivables	**74,098,771**	124,790,503	**125,597,640**	146,616,065
Less: Provision for doubtful debts	**(17,368,268)**	(14,231,387)	**–**	–
Trade and other receivables (net)	**56,730,503**	110,559,116	**125,597,640**	146,616,065

(a) Included in trade and non-trade receivables of the Group are balances denominated in Indonesian Rupiah amounting to RM2,727,669 (2011: RM2,518,420).

(b) The Group's normal trade credit term ranges from 30 to 90 (2011: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

25. Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

The Company will not demand repayment of amounts due from subsidiaries in so far as it will adversely affect their operations.

26. Cash and cash equivalents

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash on hand and at banks	**15,489,692**	19,334,416	**392,846**	12,516,947
Fixed deposits with licensed banks	**34,078,642**	36,885,410	**9,238,720**	9,012,223
	49,568,334	56,219,826	**9,631,566**	21,529,170
Less: Bank overdrafts (Note 30)	**(14,050,921)**	(17,199,483)	**–**	(4,844,825)
Cash and cash equivalents	**35,517,413**	39,020,343	**9,631,566**	16,684,345

(a) Included in cash at banks of the Group are amounts of RM869,481 (2011: RM589,151) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore are restricted from use in other operations.

(b) Fixed deposits of the Group amounting to RM33,860,673 (2011: RM33,106,534,198) are pledged to banks for credit facilities granted to a subsidiary.

(c) The weighted average effective interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Fixed deposits with licensed banks	**2.57**	2.39	**2.55**	2.25

(d) The average maturities of deposits as at the balance sheet date were as follows:

	Group		Company	
	2012 Days	2011 Days	2012 Days	2011 Days
Fixed deposits with licensed banks	**53**	53	**90**	90

(e) Included in cash and bank balances of the Group are balances denominated in Indonesian Rupiah amounting to RM2,637,065 (2011: RM1,145,168).

27. Share capital

	Number of Ordinary Shares of RM1 Each 2012	2011	Amount 2012 RM	2011 RM
Authorised:				
At 1 June 2011	400,000,000	200,000,000	400,000,000	200,000,000
Created during the financial year	–	200,000,000	–	200,000,000
At 31 May	400,000,000	400,000,000	400,000,000	400,000,000
Issued and fully paid:				
At 1 June 2011	196,691,218	118,015,791	196,691,218	118,015,791
Issued during the financial year pursuant to rights issue	–	78,675,427	–	78,675,427
At 31 May	196,691,218	196,691,218	196,691,218	196,691,218

28. Reserves

	Group 2012 RM	2011 RM	Company 2012 RM	2011 RM
Non-distributable				
Capital reserve	1,346,681	1,346,681	–	–
Warrant reserve	6,175,984	6,175,984	6,175,984	6,175,984
Foreign exchange reserve	(1,135,315)	(2,040,845)	–	–
	6,387,350	5,481,820	6,175,984	6,175,984
Distributable				
Retained profits	42,771,375	28,319,919	5,735,865	748,590
	49,158,725	33,801,739	11,911,849	6,924,574

(a) The capital reserve is in respect of share premium of Gadang Engineering (M) Sdn. Bhd., a subsidiary of the Company, which was capitalised for a bonus issue.

(b) The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

28. Reserves (cont'd)

(c) In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 May 2012, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

29. Non-controlling interest

Non-controlling interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary attributable to shares and debentures, directly or indirectly other than by the Company or subsidiaries.

The movement in minority interest in subsidiary are as follows:

	Group	
	2012 RM	2011 RM
At 1 June	4,505,576	4,249,168
Share of results attributable to non-controlling interests	(770,266)	256,408
At 31 May	3,735,310	4,505,576

30. Bank borrowings

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 26)	14,050,921	17,199,483	–	4,844,825
Bankers acceptances	3,495,167	2,597,662	–	402,000
Revolving credits	13,471,250	36,136,837	3,499,203	11,386,838
Trust receipts	896,847	28,888,478	–	–
Term loans	10,447,173	22,103,525	–	–
Hire purchase payables	2,523,789	12,662,850	–	–
	44,885,147	119,588,835	3,499,203	16,633,663

30. Bank borrowings (cont'd)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Long term borrowings				
Secured:				
Term loans	44,178,055	21,281,094	–	–
Hire purchase payables	3,888,035	2,762,466	–	–
	48,066,090	24,043,560	–	–
Total borrowings				
Bank overdrafts	14,050,921	17,199,483	–	4,844,825
Bankers acceptances	3,495,167	2,597,662	–	402,000
Revolving credits	13,471,250	36,136,837	3,499,203	11,386,838
Trust receipts	896,847	28,888,478	–	–
Term loans	54,625,228	43,384,619	–	–
Hire purchase payables	6,411,824	15,425,316	–	–
	92,951,237	143,632,395	3,499,203	16,633,663
Maturity of borrowings (excluding hire purchase payables)				
Within one year	42,361,358	106,925,985	3,499,203	16,633,663
More than one year and less than two years	–	7,960,747	–	–
More than two years and less than five years	27,428,055	13,320,347	–	–
Five years or more	16,750,000	–	–	–
	86,539,413	128,207,079	3,499,203	16,633,663

(a) The bank borrowings are secured by the following:

(i) charge over freehold land, leasehold land and buildings of certain subsidiaries as disclosed in Note 12(b) and Note 12(d) to the financial statements;

(ii) charge over freehold land under development of certain subsidiaries as disclosed in Note 21(a) and Note 21(b) to the financial statements;

(iii) charge over leasehold land under development of a subsidiary as disclosed in Note 21(c) to the financial statements;

(iv) charge over investment properties of a subsidiary as disclosed in Note 14 to the financial statements;

(v) corporate guarantee by the Company; and

(vi) fixed deposits with licensed banks of a subsidiary as disclosed in Note 26(b) to the financial statements.

30. Bank borrowings (cont'd)

(b) The weighted average effective interest rates at the reporting date for bank borrowings, which are at floating rates were as follows:

	Group		Company	
	2012 %	2011 %	2012 %	2011 %
Bank overdrafts	**7.80**	8.25	**–**	7.85
Bankers acceptances	**5.11**	5.27	**–**	5.16
Revolving credits	**6.00**	5.40	**5.16**	5.16
Trust receipts	**8.10**	8.05	**–**	–
Term loans	**7.18**	8.25	**–**	–

(c) Included in bank borrowings of the Group are term loans denominated in Indonesian Rupiah amounting to RM3,415,889 (2011: RM5,502,071).

(d) Analysis of hire purchase payables

	Group	
	2012 RM	2011 RM
Minimum lease payments:		
Not later than 1 year	**2,858,032**	13,644,477
Later than 1 year and not later than 2 years	**2,401,193**	1,365,668
Later than 2 years and not later than 5 years	**1,493,786**	1,821,791
More than 5 years	**580,922**	–
	7,333,933	16,831,936
Less: Future finance charges	**(922,109)**	(1,406,620)
	6,411,824	15,425,316
Present value of hire purchase liabilities:		
Not later than 1 year	**2,523,789**	12,662,850
Later than 1 year and not later than 2 years	**2,216,720**	1,203,786
Later than 2 years and not later than 5 years	**1,299,189**	1,558,680
More than 5 years	**372,126**	–
	6,411,824	15,425,316
Analysed as:		
Due within 12 months	**2,523,789**	12,662,850
Due after 12 months	**3,888,035**	2,762,466
	6,411,824	15,425,316

The hire purchase liabilities bear interest at the end of reporting date at flat rates between 1.98% to 10.73% (2011: 1.98% to 10.73%) per annum.

31. Defined benefit obligations

Foreign subsidiaries in Indonesia operates an unfunded defined benefit plan for its eligible employees in accordance with the local labour law.

	Group 2012 RM	Group 2011 RM
Movement in the net liability in the current year were as follows:		
At 1 June 2011/2010	**1,202,664**	940,967
Recognised in statements of comprehensive income (Note 7)	**297,067**	263,215
Exchange difference	**(266,190)**	(1,518)
At 31 May	**1,233,541**	1,202,664

	Group 2012 %	Group 2011 %
Principal actuarial assumptions used:		
Discount rate	**7**	10
Average salary increase	**9**	9

Assumptions regarding future mortality are based on published statistics and mortality tables.

32. Provisions

	Group 2012 RM	Group 2011 RM
Provision for liquidated ascertained damages		
At 1 June 2011	**891,709**	478,881
(Reversal)/Additions	**(727,738)**	446,741
Less: Payment	**–**	(33,913)
At 31 May	**163,971**	891,709

Provision for liquidated ascertained damages is in respect of projects undertaken by certain subsidiaries. The provision is recognised for expected liquidated ascertained damages claims based on the terms of the applicable sale and purchase agreements.

33. Trade and non-trade payables

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Trade payables (a)	53,552,356	74,599,580	–	–
Accrued subcontractor work	15,327,986	26,331,837	–	–
Advances from contract customers (Note 22)	11,803,169	4,508,211	–	–
Non-trade payables	20,696,658	4,928,471	–	136,415
Other accruals	5,274,096	3,743,576	221,228	183,812
Deposits received	378,164	6,944,613	–	–
Advances from a Director (b)	4,010,697	4,025,631	–	–
Amounts due to subsidiaries	–	–	39,539,398	33,416,874
Total trade and other payable	111,043,126	125,081,919	39,760,626	33,737,101

(a) Trade payables include amounts due to persons and companies which are related to Directors of the Company. Balances as at the end of the reporting date are as follows:

	Group 2012 RM	Group 2011 RM
Parties related to Tan Sri Dato' Kok Onn:		
- Kok Khim Boon (brother)	431,364	397,334
- Kok Kiw (brother) and KNL Jaya Construction Sdn Bhd (company connected to Kok Kiw)	53,323	–
- Kok Thiam Fook (cousin)	71,225	171,282
- Magnibiz Sdn Bhd (brother-in-law is a shareholder in the company)	102,260	138,087
- TFK Enterprise (sole-proprietorship owned by the spouse of Kok Thiam Fook)	–	20,110
	658,172	726,813

(b) Advances from Raja Zainal Abidin Bin Raja Hussin, a Director of a subsidiary, are unsecured, interest-free and repayable on demand.

(c) The normal trade credit terms granted to the Group range from 30 to 90 (2011: 30 to 90) days.

(d) Included in trade and non-trade payables of the Group are balances denominated in Indonesian Rupiah amounting to RM2,100,902 (2011: RM1,632,071).

34. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2012 RM	2011 RM
Company		
Subsidiaries:		
Gross dividends income	**5,400,000**	450,000
Management fees income	**3,050,000**	3,182,000
Rental expense - land and buildings	**213,703**	134,676
Group		
Subcontractor work payable to related parties:		
- Datapuri Sdn Bhd (a)	**2,247,396**	1,431,774
- Kok Khim Boon (b)	**2,177,808**	603,359
- Kok Thiam Fook (c)	**50,667**	–

(a) Datapuri Sdn Bhd is a 51% owned subsidiary of the Company and 49% owned by Exclusive Acres Sdn Bhd of which Tan Sri Dato' Kok Onn's nephew is a Director and shareholder.

(b) Tan Sri Dato' Kok Onn's brother.

(c) Tan Sri Dato' Kok Onn's cousin.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprises all the directors of the Group and of the Company and members of senior management of the Group.

34. Significant related party transactions (cont'd)

The key management personnel compensations are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors (Note 8):				
Salaries and bonus	**2,948,893**	2,570,615	**164,167**	156,141
Fees	**150,000**	126,000	**150,000**	126,000
Defined contribution plan	**161,478**	154,494	**–**	–
Other benefits	**39,500**	26,400	**2,400**	3,900
	3,299,871	2,877,509	**316,567**	286,041
Senior management:				
Salaries and bonus	**765,355**	782,923	**103,840**	48,217
Defined contribution plan	**78,000**	91,803	**11,904**	5,787
	843,355	874,726	**115,744**	54,004
Total key management personnel compensations	**4,143,226**	3,752,235	**432,311**	340,045

35. Contingent liabilities

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Corporate guarantees issued by the Group and by the Company to:				
(a) financial institutions for banking and hire purchase facilities granted to subsidiaries	**–**	–	**190,369,462**	268,580,732
(b) financial institutions for bank guarantees granted on behalf of third parties in the ordinary course of business	**90,410,022**	59,993,812	**13,554,484**	1,051,465
(c) granted to third parties on behalf of subsidiaries	**341,384**	6,135,019	**341,384**	6,135,019
(d) suppliers of certain subsidiaries	**41,950,000**	50,100,000	**41,950,000**	50,100,000
(e) tenderer as tender bonds	**3,945,511**	–	**–**	–

35. Contingent liabilities (cont'd)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Bank guarantees issued to:				
(a) Director general of Immigration Malaysia	–	18,000	–	–
(b) customer in the ordinary course of business	214,225	8,000	–	–
	136,861,142	116,254,831	246,215,330	325,867,216

36. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segments

The Group comprises the following main business segments:

(i) Engineering and construction – involved in bulk earthworks, general construction, construction of commercial, industrial and residential buildings and design and build works.

(ii) Property investment and development – the development of residential and commercial

(iii) Utility – construction, maintenance and management of facilities to provide treated water supply in Indonesia.

(iv) Investment holding and others - investment holding and intercompanies' trading.

(v) Plantation - oil palm cultivation.

36. Segment information (cont'd)

(b) Business segments (cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

31 May 2012	Engineering and construction RM	Property investment and development RM	Utility RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	189,126,725	40,889,847	16,330,968	–	–	–	246,347,540
Inter-segment sales	4,000,227	528,804	–	34,926,065	–	(39,455,096)	–
Total revenue	193,126,952	41,418,651	16,330,968	34,926,065	–	(39,455,096)	246,347,540
Result							
Segment results	15,808,530	11,166,918	2,682,200	5,798,886	(749,713)	(13,331,102)	21,375,719
Finance costs	(1,917,502)	(302,890)	(511,543)	(714,015)	(11,597)		(3,457,547)
Profit before tax	13,891,028	10,864,028	2,170,657	5,084,871	(761,310)		17,918,172
Tax expense							(4,182,996)
Profit for the financial year							13,735,176
Attributable to:							
Owners of the parent							14,451,456
Non-controlling interests							(716,280)
							13,735,176
Segment assets	251,552,840	220,575,937	48,951,541	259,490,246	8,433,006	(325,047,150)	463,956,420
Investments in associates							–
Unallocated assets							764,675
Total assets							464,721,095
Segment liabilities	191,773,468	139,117,988	41,414,979	54,928,497	1,261,311	(221,880,129)	206,616,114
Unallocated liabilities							8,519,728
Total liabilities							215,135,842
Other Information							
Depreciation and amortisation	7,996,707	281,699	4,412,411	134,461	115,219	–	12,940,497
Capital expenditure	2,206,572	384,829	627,167	15,262	158,556	–	3,392,386

36. Segment information (cont'd)

(b) Business segments (cont'd)

31 May 2011	Engineering and construction RM	Property investment and development RM	Utility RM	Investment holding and others RM	Plantation RM	Elimination RM	Consolidated RM
Revenue							
External sales	299,835,762	35,950,045	14,692,292	8,744	–	–	350,486,843
Inter-segment sales	53,637,257	2,800,504	986,400	5,594,946	–	(63,019,107)	–
Total revenue	353,473,019	38,750,549	15,678,692	5,603,690	–	(63,019,107)	350,486,843
Result							
Segment results	(4,411,103)	8,113,023	3,138,549	1,959,910	(491,291)	(5,100,751)	3,208,337
Finance costs							(4,405,271)
Share of results of associates							–
Loss before tax							(1,196,934)
Tax expense							(2,978,127)
Loss for the financial year							(4,175,061)
Attributable to:							
Owners of the parent							(4,403,682)
Non-controlling interests							228,621
Segment assets	398,041,353	274,769,900	71,116,708	282,316,767	6,019,742	(519,371,584)	512,892,886
Investments in associates							–
Unallocated assets							821,310
Total assets							513,714,196
Segment liabilities	362,982,363	190,647,745	60,859,393	81,553,654	6,788,140	(430,144,939)	272,686,356
Unallocated liabilities							6,029,307
Total liabilities							278,715,663
Other Information							
Depreciation and amortisation	8,530,892	455,665	2,279,129	184,704	53,788	–	11,504,178
Capital expenditure	16,454,292	3,075,433	1,463,070	62,155	287,465	–	21,342,415

36. Segment information (cont'd)

(c) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's four business segments operate in two main geographical areas:

(i) Malaysia - the operations in this area are principally earthworks, building and civil engineering construction works, property development, general trading and oil palm cultivation.

(ii) Indonesia - the operations in this area are principally water concession.

	Total revenue from external customers RM	Segment assets RM	Capital expenditure RM
31 May 2012			
Malaysia	**230,016,572**	**415,769,556**	**2,765,219**
Indonesia	**16,330,968**	**47,754,623**	**627,167**
Singapore	**–**	**1,196,916**	**–**
	246,347,540	**464,721,095**	**3,392,386**
31 May 2011			
Malaysia	336,989,468	460,873,882	19,879,345
Indonesia	13,497,375	26,935,258	1,463,070
Singapore	–	25,905,056	–
	350,486,843	513,714,196	21,342,415

37. Commitments

	Group 2012 RM	2011 RM
Approved and contracted for:		
Purchase of land for property development	**13,000,000**	13,000,000
Approved but not contracted for:		
Oil palm plantations development	**9,200,000**	15,000,000

38. Financial instruments

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its credit risk, interest rate risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an on-going basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables as at 31 May 2012 is as follows:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying amount RM
Group				
Not past due	18,706,730	–	–	18,706,730
1 to 30 days past due	12,264,810	–	–	12,264,810
31 to 60 days past due	3,956,763	–	–	3,956,763
More than 91 days past due	1,932,144	–	–	1,932,144
More than 120 days past due	1,688,160	–	–	1,688,160
More than 1 year past due	2,142,266	–	–	2,142,266
Impaired	17,368,268	(17,368,268)	–	–
	58,059,141	(17,368,268)	–	40,690,873

38. Financial instruments (cont'd)

(a) Credit risk

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired

The Group and the Company believe that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(b) Interest rate risk

The Group and the Company's primary interest rate risk relates to interest bearing borrowings.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier:

38. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Effective interest rates and repricing analysis

The following table shows information on the Group's and the Company's exposure to interest rate risk.

	Effective interest rate per annum %	Less than one year RM	More than one year RM	Total RM
Group				
2012				
Financial liabilities				
Bank overdraft	7.80%	14,050,921	–	14,050,921
Bankers acceptances	5.11%	3,495,167	–	3,495,167
Revolving credits	6.00%	13,471,250	–	13,471,250
Trust receipts	8.10%	896,847	–	896,847
Term loans	7.18%	10,447,173	44,178,055	54,625,228
Hire purchase payables	1.98% to 10.73%	2,523,789	3,888,035	6,411,824
		44,885,147	48,066,090	92,951,237
Group				
2011				
Financial liabilities				
Bank overdraft	8.25%	17,199,483	–	17,199,483
Bankers acceptances	5.27%	2,597,662	–	2,597,662
Revolving credits	5.40%	36,136,837	–	36,136,837
Trust receipts	8.05%	28,888,478	–	28,888,478
Term loans	8.25%	22,103,525	21,281,094	43,384,619
Hire purchase payables	1.98% to 10.73%	12,662,850	2,762,466	15,425,316
		119,588,835	24,043,560	143,632,395
Company				
2012				
Financial liabilities				
Revolving credits	5.28%	3,499,203	–	3,499,203
		3,499,203	–	3,499,203
Company				
2011				
Financial liabilities				
Bank overdraft	7.85%	4,844,825	–	4,844,825
Bankers acceptances	5.16%	402,000	–	402,000
Revolving credits	5.16%	11,386,838	–	11,386,838
		16,633,663	–	16,633,663

38. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Group		Company	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation				
Increase of 10 basis points	**92,951**	143,632	**3,499**	16,634
Decrease of 10 basis points	**(92,952)**	(143,632)	**(3,499)**	(16,634)

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group and the Company practise prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	On demand or within one year RM	One to five years RM	Total RM
Group			
Financial liabilities:			
Amounts due to customers on contracts	47,849	–	47,849
Trade and non-trade payables	111,043,126	–	111,043,126
Bank borrowings	44,885,147	48,066,090	92,951,237
Defined benefit obligations	–	1,233,541	1,233,541
Total undiscounted financial liabilities	155,976,122	49,299,631	205,275,753
Company			
Financial liabilities:			
Trade and non-trade payables	39,760,627	–	39,760,627
Bank borrowings	3,499,203	–	3,499,203
Total undiscounted financial liabilities	43,259,830	–	43,259,830

38. Financial instruments (cont'd)

(d) Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Singapore Dollar and Indonesian Rupiah. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies		
	Singapore Dollar RM	Indonesia Rupiah RM	Total RM
Functional Currency			
At 31 May 2012			
Singapore Dollar	**(159,167)**	**(106,367)**	**(265,534)**
Indonesian Rupiah	**106,367**	**–**	**106,367**
	(52,800)	**(106,367)**	**(159,167)**
At 31 May 2011			
Singapore Dollar	(108,625)	(2,824,571)	(2,933,196)
Indonesian Rupiah	2,824,571	–	2,824,571
	2,715,946	(2,824,571)	(108,625)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Group	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation		
SGD/RM		
Strengthened by 10% (2011: 10%)	**(26,553)**	(293,320)
Weakened by 10% (2011: 10%)	**26,553**	293,320
RUPIAH/RM		
Strengthened by 10% (2011: 10%)	**10,637**	282,457
Weakened by 10% (2011: 10%)	**(10,637)**	(282,457)

39. Fair values

Fair value of financial instruments

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next 12 months approximated fair values due to the relatively short term maturity of the financial instruments.

The fair values of other financial assets and liabilities together with the carrying amounts shown in the statements of financial position, are as follows:

	Group	
	Carrying Amount RM	Fair Value RM
At 31 May 2012		
Hire purchase payables	**6,411,824**	**7,186,614**
At 31 May 2011		
Hire purchase payables	15,425,316	16,146,580

The fair values of hire purchase payables are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending arrangements.

The carrying amounts of cash and short term deposits, receivables and all other payables, based on their notional amounts, reasonably approximate fair values because these are mostly short-term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

40. Capital management

The Group and the Company manage its capital to ensure the Group and the Company will maintain an optimal capital structure so as to support the businesses and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manage its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital.

Net debt is calculated as provisions, trade and non-trade payables, amounts due to contracts customers, bank borrowings and defined benefit obligations minus cash and bank balances. Total capital is calculated as equity plus net debt.

The debt-to-equity ratio of the Group and of the Company as at the end of the reporting period was as follows:

40. Capital management (cont'd)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Provisions	163,971	891,709	–	–
Trade and non-trade payables	111,043,126	125,081,919	39,760,627	33,737,101
Amounts due to contracts customers	47,849	1,622,783	–	–
Bank borrowings	92,951,237	143,632,395	3,499,203	16,633,663
Defined benefit obligations	1,233,541	1,202,664	–	–
	205,439,724	272,431,470	43,259,830	50,370,764
Less: Cash and bank balances	(15,489,692)	(19,334,416)	(392,846)	(12,516,947)
Fixed deposits with licensed banks	(34,078,642)	(36,885,410)	(9,238,720)	(9,012,223)
Net debt	155,871,390	216,211,644	33,628,264	28,841,594
Total equity	249,585,253	234,998,533	208,603,067	203,615,792
Total capital	405,456,643	451,210,177	242,231,331	232,457,386
Gearing ratio	0.38	0.48	0.14	0.12

41. Significant events

In addition to the significant events disclosed in Note 16(a), other significant events during the financial year are as follows:

(a) On 5th July 2010, GLP Manufacturing (M) Sdn Bhd entered into a Sale and Purchase Agreement with Norimax Sdn Bhd for the sale of its two (2) pieces of land (Lot no: SD-279 & 280) Taman Perindustrian Puchong Seksyen 5 together with two (2) units of 1 1/2 storey semi-detached factory for a purchase consideration of Ringgit Malaysia Two Million and Nine Hundred Thousand (RM2,900,000.00) only ("Purchase Price").

The disposal was completed on 21 June 2011 pursuant to the terms of the SPA.

(b) On 17 February 2011, Gadang Properties Sdn Bhd ("GPSB" or "Vendor"), a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of Gadang, had entered into a Sale and Purchase Agreement ("SPA") with Engtex Platinum Sdn Bhd (formerly known as Centradell Sdn Bhd) (Company No. 928186-K) ("Purchaser") to dispose to the Purchaser, all the three (3) pieces of freehold lands measuring 219,341.8816 square metres in Mukim Rawang, Daerah Gombak, Negeri Selangor (collectively, the "Lands") for a total cash consideration of Ringgit Malaysia Twenty One Million (RM21,000,000.00) only ("Disposal Price").

The disposal of Lands was completed on 27 June 2011 pursuant to the terms of the SPA.

(c) On 9 September 2011, the Company's indirect wholly-owned subsidiary, Flora Masyhur Sdn Bhd ("FMSB") acquired 300,000 ordinary shares of RM1.00 each representing the remaining 30% of the issued and paid-up share capital of Camar Ajaib Sdn Bhd ("CASB") from the minority shareholders, Raja Zainal Abidin Bin Raja Hussin and Raja Mahmood Bin Raja Hussein for a total cash consideration of RM86,000 ("Purchase Consideration"), thereby resulting in CASB becoming a wholly-owned subsidiary of FMSB.

41. Significant events (cont'd)

(d) On 3 April 2012, the Company announced that Gadang Land Sdn Bhd, its wholly-owned subsidiary, had acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Prelude Avenue Sdn Bhd ("Prelude Avenue") for a total consideration of RM2.00. Prelude Avenue was incorporated on 28 December 2010 and its principal activity is property development.

(e) On 2 May 2012, the Company announced that Maxlux Projects Private Limited (formerly known as Gadang Engineering and Construction (India) Private Limited) ("GECI") has ceased to be a subsidiary in the Group following the transfer of its wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd's entire shareholdings of 198,980 equity shares of Indian Rupees Ten (Rs 10) each representing 95.2% of the enlarged issued and paid-up share capital of GECI to Mr Anup Kumar Saha, the minority shareholder, for a total cash consideration of RM100.00.

(f) On 31 May 2012, the Company announced that Elegance Sonata Sdn Bhd ("ESSB" or "Vendor"), a wholly-owned subsidiary of Gadang Land Sdn Bhd, which in turn is the wholly-owned subsidiary of Gadang, entered into a Sale and Purchase Agreement ("SPA") with Blossom Acacia Sdn Bhd (Company No. 981716-V) ("Purchaser") to dispose to the Purchaser, two (2) parcels of freehold land in Penang (the "Said Lands"), for a total cash consideration of RM31,544,845.00 only ("Disposal Price").

The transaction was completed subsequent to the financial year end and as announced on 19 September 2012.

42. Subsequent events

On 11th July 2012, Gadang Holding Berhad announced that its wholly-owned subsidiary, Gadang Engineering (M) Sdn Bhd, had on 10 July 2012, received and accepted the letter of acceptance from Mass Rapid Transit Corporation Sdn Bhd for the Project Mass Rapid Transit Lembah Kelang: Jajaran Sungai Buloh - Kajang - Package V2 ("the Package") at a contract sum of RM863,393,908.00.

The Project involves the construction and completion of viaduct guideway and other associated works from Kota Damansara Station to Dataran Sunway Station.

43. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profit of the Group as at 31 May 2012 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

43. Supplementary information - breakdown of retained profits into realised and unrealised (cont'd)

	Group	
	2012	2011
	RM	RM
Total retained profits of the Company and its subsidiaries:		
- Realised	**50,526,428**	33,527,916
- Unrealised	**(7,755,053)**	(5,207,997)
Total retained profits per statements of financial position	**42,771,375**	28,319,919

	Company	
	2012	2011
	RM	RM
Total retained profits of the Company		
- Realised	**5,712,004**	724,729
- Unrealised	**23,861**	23,861
Total retained profits per statements of financial position	**5,735,865**	748,590

44. General information

The Company is a public limited liability company that is incorporated and domiciled in Malaysia, is listed on the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Wisma Gadang, No. 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of its subsidiaries are disclosed in Note 16.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 September 2012.

List of Properties
as at 31 May 2012

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
Wisma Gadang No. 52 Jalan Tago 2 Off Jalan Persiaran Utama Sri Damansara 52200 Kuala Lumpur	6 ½ storey office block for own use	Freehold	(June 1997)	42,619 (45,043)	15 years	9,181,812
Plot No. 86 CD Emville Golf Resort Mukim Setul District of Seremban Negeri Sembilan	Vacant bungalow lot for investment	Leasehold ending 13/12/2082	(June 1997)	8,000	N/A	132,480
Bandar Tasik Semenyih PT 8298 HS(M) 4984	Vacant bungalow lot for sale	Leasehold ending 5/11/2094	23/12/1999	11,125	N/A	243,708
Lot 183 to 186 Mukim of Rawang District of Gombak State of Selangor	Industrial land for sale	Freehold	2/8/2001	198,712	N/A	3,974,240
Geran No. 49848, Lot No. 1132 Daerah Johor Baru, Bandar Johor Baru Negeri Johor Darul Taksim	Mixed industrial and commercial development	Freehold	31/7/2003	1,166,808	N/A	25,908,760
GM78 – Lot 471 and GM77 – Lot 472 Mukim 17, Batu Ferringgi Daerah Timur Laut, Penang	Land for Development (residential)	Freehold	17/04/2007	3.9075 hectares	N/A	9,951,354
Plot No. 208 held under HS(D) 252132 PT No. 1027; Plot No. 209 held under HS(D) 252119 PT No. 1014; Plot No. 211 held under HS(D) 252212 PT No. 1016; Plot No. 212 held under HS(D) 2521122 PT No. 1017; Plot No.201 held under HS(D) 252138 PT No. 1033; Plot No. 202 held under HS(D) 252126 PT No. 1021; Plot No. 203 held under HS(D) 252127 PT No. 1022 Pekan Baru Sungai Besi, District of Petaling, Selangor	Vacant bungalow lot for sale/ development	Leasehold ending 1/12/2107	31/1/2010	74,804	N/A	11,220,600

List of Properties

as at 31 May 2012 (cont'd)

Title/Location	Description/ Existing use	Tenure	Acquisition Date (Revaluation Date)	Approximate Land Area/ (Built-up Area) in sq. ft	Estimated Age of Building/ Land	Net Book Value RM
Salak South Land Mukim Kuala Lumpur HS (D) 42144 Lot 49280	Land for Development	Leasehold ending 17/06/2085	27/01/2010	531,432	N/A	33,985,365
Plot No. 607 No.3, Jalan Anggerik 1A/9, Sek.BS7, Bukit Sentosa 2, Rawang	Properties for sale	Freehold	15/07/2003	1,079	9 years	99,800
Plot No. 8246 No.13, Jalan Ros 2A/3, Sek. BS5, Bukit Sentosa, Rawang	Properties for sale	Freehold	13/03/2004	130.04 meter square	8 years	123,000
Gasing Indah Land Mukim Kuala Lumpur HS (D) 171475 PT No. 399	Land for Development	Freehold	17/06/2010	46,165	N/A	3,693,200
Parcel No. B-D-37, Kenny Heights Estate (Lot No. 67802) Geran Title 72851, Mukim of Batu, District of Kuala Lumpur	Town villa	Freehold	29/12/2011	5,226	1 year	5,230,000

Analysis of Shareholdings & Warrantholdings

I. **ANALYSIS OF SHAREHOLDINGS** as a 28 September 2012

Share Capital

Authorised Share Capital	:	RM400,000,000
Issued & Fully Paid-Up Share Capital	:	RM196,691,218
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 99	41	0.84	1,671	0.00
100 - 1,000	864	17.70	830,244	0.42
1,001 - 10,000	2,518	51.58	13,952,211	7.10
10,001 - 100,000	1,280	26.22	41,106,773	20.90
100,001 - 9,834,559	177	3.62	81,319,492	41.34
9,834,560* and above	2	0.04	59,480,827	30.24
Total	4,882	100.00	196,691,218	100.00

* denotes 5% of the issued and paid-up capital of the Company.

REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held			
Name	Direct Interest	%	Deemed Interest	%
1. Sumber Raswira Sdn Bhd	29,717,161	15.11	–	–
2. Tan Sri Dato' Kok Onn	6,266,666	3.19	59,480,827*(a)*	30.24
3. Meloria Sdn Bhd	29,763,666	15.13	–	–
4. Puan Sri Datin Chan Ngan Thai	–	–	29,763,666*(b)*	15.13

Notes

(a) Deemed interested through Sumber Raswira Sdn Bhd and Meloria Sdn Bhd by virtue of Section 6A of the Companies Act, 1965 ("the Act")

(b) Deemed interested through Meloria Sdn Bhd by virtue of Section 6A of the Act

THIRTY LARGEST SHAREHOLDERS

		No. of Shares	%
1.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	29,763,666	15.13
2.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sumber Raswira Sdn Bhd*	29,717,161	15.11
3.	Mercsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Wong Yen @ Siow Kwang Hwa*	6,864,000	3.49
4.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	6,266,666	3.19
5.	Chia Ting Poh @ Cheah Ting Poh	5,000,000	2.54
6.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum*	2,665,900	1.36
7.	HLG Nominee (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	2,500,000	1.27
8.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	2,067,000	1.05
9.	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Mak Ngia Ngia @ Mak Yoke Lum*	1,986,000	1.01
10.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ting Keaw @ Law Lee See*	1,978,000	1.01
11.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chan Weng Kong*	1,850,900	0.94
12.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Ting Keaw @ Law Lee See*	1,508,000	0.77
13.	HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chung Mui Nyok*	1,419,900	0.72
14.	Chong Guan Seng	1,400,000	0.71
15.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Yoke Koon*	1,100,000	0.56
16.	Wu Chung Ta	1,072,000	0.54
17.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Yap Thai Choy*	1,000,000	0.51

Analysis of Shareholdings & Warrantholdings (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

		No. of Shares	%
18.	Law Wan Cheen	1,000,000	0.51
19.	Loo Chuen Far	1,000,000	0.51
20.	Lee Chee Beng	995,900	0.51
21.	Yeoh Ah Tu	958,000	0.49
22.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chung Mui Nyok*	952,900	0.48
23.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Liaw Kit Siong*	828,900	0.42
24.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Kian Aik*	811,900	0.41
25.	Su Ming Yaw	750,000	0.38
26.	Boey Tak Kong	749,600	0.38
27.	Tan Poh Eng @ Tan Poh Ang	719,833	0.37
28.	Chor Chee Heung	700,000	0.36
29.	Gitigroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Wong Yat Weng*	620,000	0.31
30.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Mohd Basar Bin Parngon*	613,800	0.31

Analysis of Shareholdings & Warrantholdings (cont'd)

II. **ANALYSIS OF WARRANTHOLDINGS** as a 28 September 2012

Warrants 2010/2015 ("Warrants")

Total Number of Warrants Issued	:	19,668,739
Total Number of Warrants Outstanding	:	19,668,739
Maturity Date	:	29 September 2015
Exercise Price	:	RM1.00 per Warrant
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company
Voting Rights	:	Nil

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
Less than 99	64	5.63	2,630	0.01
100 - 1,000	421	37.03	249,951	1.27
1,001 - 10,000	422	37.11	1,720,227	8.75
10,001 - 100,000	196	17.24	6,132,003	31.18
100,001 - 983,435	33	2.90	8,587,562	43.66
983,436* and above	1	0.09	2,976,366	15.13
Total	1,137	100.00	19,668,739	100.00

* denotes 5% of the issued warrants

THIRTY LARGEST WARRANTHOLDERS

		Number of Warrants	%
1.	OSK Nominees (Tempatan) Sdn Berhad *Pledged securities account for Meloria Sdn Bhd*	2,976,366	15.13
2.	Freddy Lim Yong Cheng	778,066	3.96
3.	JF Apex Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sumber Raswira Sdn Bhd*	687,865	3.50
4.	EB Nominees (Tempatan) Sendirian Berhad *Pledged securities account for Kok Onn*	611,666	3.11
5.	Mak Ngia Ngia @ Mak Yoke Lum	600,800	3.05
6.	Ng Ah Meng	484,000	2.46
7.	ISC Toptanks Sdn Bhd	400,000	2.03
8.	Ng Cheek What	367,800	1.87

THIRTY LARGEST WARRANTHOLDERS (cont'd)

		Number of Warrants	%
9.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Chung Mui Nyok*	329,900	1.68
10.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Wong Ah Yong*	280,000	1.42
11.	Ng Ah Meng	279,800	1.42
12.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd*	279,000	1.42
13.	Maybank Nominees (Tempatan) Sdn Bhd *Yeoh Ah Tu*	266,750	1.36
14.	Wong Yit Yoong	252,400	1.28
15.	Chew Ko Keng	250,000	1.27
16.	Lee Chee Beng	250,000	1.27
17.	Khoo Swee Chye @ Khoo Swee Hock	233,500	1.19
18.	Lo Kee Heng	179,700	0.91
19.	Lo Kee Heng	170,000	0.86
20.	Goh Sew Been	159,900	0.81
21.	Chong Soon Yin	157,200	0.80
22.	Siow Yet Kiew	151,000	0.77
23.	George Fong Gen Nyen	145,200	0.74
24.	Chang Choon Fooi	135,600	0.69
25.	Chan Huan Hsiian	130,000	0.66
26.	Qua Soon Tack	120,500	0.61
27.	Bek Thiam Hong	120,000	0.61
28.	Cheah Soon Hai	120,000	0.61
29.	Kang Kwei Nyuk	118,716	0.60
30.	ECML Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chiam Kok Peng*	110,000	0.56

III. DIRECTORS' SHAREHOLDINGS & WARRANTHOLDINGS as at 28 September 2012

THE COMPANY

	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	**%**	**Deemed interest**	**%**
Tan Sri Dato' Kok Onn	6,266,666	3.19	59,480,827*(a)*	30.24
Boey Tak Kong	749,600	0.38	–	–

	Number of Warrants			
	Direct Interest	**%**	**Deemed interest**	**%**
Tan Sri Dato' Kok Onn	611,666	3.11	3,674,231*(a)*	18.68
Boey Tak Kong	88,500	0.45	–	–

Note:

(a) Deemed interested through Sumber Raswira Sdn Bhd and Meloria Sdn Bhd by virtue of Section 6A of the Companies Act, 1965

By virtue of his interests in the shares of the Company, Tan Sri Dato' Kok Onn is also deemed interested in the shares of all the subsidiary companies to the extent the Company has an interest.

Save as disclosed, none of the other Directors of the Company had any interest in the shares and warrants of the Company or its related corporations as at 28 September 2012.

Notice of 19th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Nineteenth (19th) Annual General Meeting (AGM) of Gadang Holdings Berhad (the Company) will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 21st November 2012 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 May 2012 together with the Reports of the Directors and Auditors thereon. *(Ordinary Resolution 1)*

2. To approve the payment of a first and final dividend of 2% less 25% income tax in respect of the financial year ended 31 May 2012. *(Ordinary Resolution 2)*

3. To approve the payment of Directors' fees of RM150,000.00 in respect of the financial year ended 31 May 2012 (FY2011: RM126,000). *(Ordinary Resolution 3)*

4. To re-elect Datuk Wan Lokman Bin Dato' Wan Ibrahim, who is retiring in accordance with Article 108 of the Company's Articles of Association. *(Ordinary Resolution 4)*

5. To re-appoint Messrs PKF as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 5)*

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

6. **Authority to Directors to issue shares** *(Ordinary Resolution 6)*

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

7. **Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and the provision of financial assistance** *(Ordinary Resolution 7)*

   "THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance as set out in Section 2.4 of the Circular to Shareholders dated 30 October 2012 ("Circular") with the related parties listed in Section 2.3 of the Circular which transactions are necessary for the day-to-day operations, in the ordinary course of business of Gadang Group on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

   THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed at that meeting;

   (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or

   (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

   whichever is the earlier;

   AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

8. **Continuing In Office As Independent Director - Datuk Wan Lokman Bin Dato' Wan Ibrahim** *(Ordinary Resolution 8)*

   "THAT subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Datuk Wan Lokman Bin Dato' Wan Ibrahim who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

9. **Continuing In Office As Independent Director - Encik Adam Bin Bachek** *(Ordinary Resolution 9)*

   "THAT approval be and is hereby given to Encik Adam Bin Bachek who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the first and final dividend of 2% less 25% income tax for the financial year ended 31 May 2012, if approved by the shareholders at the 19th Annual General Meeting, will be paid on 27 December 2012 to Depositors whose names appear in the Record of Depositors at the close of business on 30 November 2012.

A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 November 2012 in respect of transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

SALLY TAN SEOK CHUNG
Secretary

Kuala Lumpur
30 October 2012

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 14 November 2012 be regarded as members and entitled to attend, speak and vote at this meeting.

2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

4. The instrument appointing the proxy must be deposited at the Registered Office of the Company at Wisma Gadang, No 52, Jalan Tago 2, Off Jalan Persiaran Utama, Sri Damansara, 52200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolution 6 - Authority to Directors to issue shares

The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last Annual General Meeting held on 17 November 2011 and which will lapse at the conclusion of the 19th Annual General Meeting.

The general authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

(ii) Ordinary Resolution 7 - Proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance

The proposed Ordinary Resolution 7 is in relation to the approval of Shareholders' Mandate for Recurrent Related Party Transactions and if passed, will empower the Company and its subsidiaries ("Gadang Group") to enter into recurrent related party transactions of a revenue or trading nature and for the provision of financial assistance which are necessary for Gadang Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details relating to Ordinary Resolution 7 are set out in the Circular to Shareholders dated 30 October 2012, which is despatched together with this Annual Report 2012.

(iii) Ordinary Resolutions 8 and 9 - Continuing In Office As Independent Non-Executive Directors

In line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Board of Directors has assessed the independence of Datuk Wan Lokman Bin Dato' Wan Ibrahim and Encik Adam Bin Bachek, who have served as Independent Non-Executive Directors for a cumulative term of more than nine years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(a) Both of them have met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

(b) Datuk Wan Lokman Bin Dato' Wan Ibrahim's vast experience in the banking sector and in-depth expertise in the plantation segment will greatly contribute in know-how to support Gadang's upstream and downstream palm oil activities, a future core business of the Gadang Group.

(c) Encik Adam Bin Bachek's legal background in contract negotiations and technical knowledge in contract management shall be valuable to the Gadang Group, as more complex and higher value projects are to be awarded in the immediate future.

(d) Both of them, having been with the Company for more than nine years, are familiar with the Group's business goals and have devoted sufficient time to discharge their statutory duties and fiduciary responsibilities.

(e) Both have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

The proposed Ordinary Resolution 8, if passed, will authorise Datuk Wan Lokman Bin Dato' Wan Ibrahim to continue in office as an Independent Non-Executive Director of the Company.

The proposed Ordinary Resolution 9, if passed, will authorise Encik Adam Bin Bachek to continue in office as an Independent Non-Executive Director of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is seeking new election as a Director at the 19th Annual General Meeting of the Company.

Further details of the Director who is seeking for re-election are set out in the Directors' Profile on page 6.

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FORM OF PROXY

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

*I/We ....*NRIC No./Co. No.: ....

(FULL NAME IN BLOCK LETTERS)

of ....

(FULL ADDRESS AND TELEPHONE NO.)

being a *member/members of GADANG HOLDINGS BERHAD hereby appoint ....

Proxy 1 ....NRIC No.: ....

(FULL NAME IN BLOCK LETTERS)

Proxy 2 ....NRIC No.: ....

(FULL NAME IN BLOCK LETTERS)

or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the 19th Annual General Meeting of the Company to be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 21 November 2012 at 10.00 a.m., and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at *his/her discretion.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements and Reports		
2.	To approve the payment of a first and final dividend		
3.	To approve the payment of Directors' fees		
4.	To re-elect Datuk Wan Lokman Bin Dato' Wan Ibrahim as Director		
5.	To re-appoint Messrs PKF as Auditors		
6.	To authorize the Directors to issue shares		
7.	To renew the shareholders' mandate for Recurrent Related Party Transactions and provision of financial assistance		
8.	To continue in office for Datuk Wan Lokman Bin Dato' Wan Ibrahim as Independent Director		
9.	To continue in office for Encik Adam Bin Bachek as Independent Director		

* Strike out whichever not applicable

Dated this _________ day of ______________ , 2012

____

Signature/Common Seal of Member

For appointment of 2 proxies, no. of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 14 November 2012 be regarded as members and entitled to attend, speak and vote at this meeting.
2. A member of the Company entitled to attend, speak and vote at this meeting, is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The Articles provide that a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
GADANG HOLDINGS BERHAD
Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

1st fold here

GADANG HOLDINGS BERHAD (278114-K)

Wisma Gadang, No. 52 Jalan Tago 2
Off Jalan Persiaran Utama
Sri Damansara
52200 Kuala Lumpur

Tel : 603-6275 6888
Fax : 603-6275 2136
Email : corporate@gadang.com.my